



Preliminary Data Analysis Wisconsin Small Group Market

Bela Gorman, FSA,MAAA

Gorman Actuarial, LLC

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Wisconsin Small Group Study Discussion Topics

- Data Collection Process
- Landscape of Wisconsin Insured Small Group Market
- Wisconsin Small Group Rating Rules Review
- Current Carrier Rating Practices
- Rating Adjustments
- Conclusions



Data Collection Process

- Developed Small Group Survey for 2007 Data
- Executed Confidentiality Agreement Among: DHFS, OCI, and GA
- OCI Distributed Surveys to Following Carriers:
 - Blue Cross Blue Shield of WI
 - CompCare Health Services Ins. Corp
 - Dean Health Plan
 - Humana Ins. Co.
 - Humana Wisconsin Health Org Ins. Corp
 - Physicians Plus Ins. Corp
 - Security Health Plan of WI Inc.
 - United Healthcare Ins. Co.
 - United Healthcare of WI Inc.
 - Unity Health Plans Ins. Corp
 - Wisconsin Physicians Service Ins. Corp
 - WPS Health Plan Inc.



Data Collection Process

- Received Data From All Carriers
- Data Received Was Inconsistent Across Carriers
 - Some carriers provided full data sets
 - Others provided partial data sets
- Data “scrubbed” for Data Anomalies and Missing Information
- Follow-up Questions Were Sent To Carriers For Data Interpretation
- Data Represents Approximately 76% Of The Market
- All Results Shown Will Be Adjusted To Reflect Total Small Group Market



Wisconsin Small Group Market

- General Statistics 2007

- ~390,000 members
- ~200,000 enrolled employees
- ~28,000 employer groups

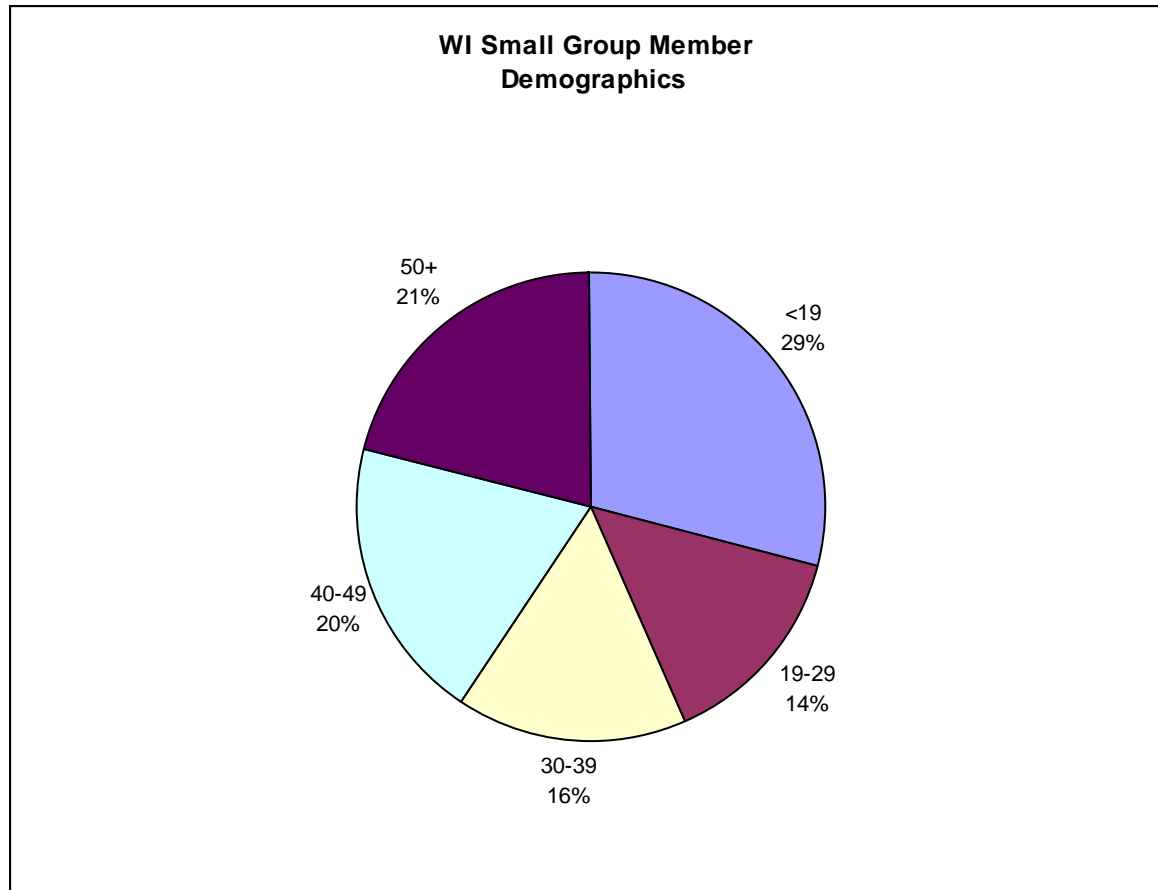
- Data Indicates Declining Enrollment

- By YE 2007, above numbers may have declined 5-10%

- Medical Loss Ratio 78.4% as Compared to MA Small Group Market 86.2%

*Medical Loss ratio defined as claims divided by premium

Wisconsin Small Group Market Membership

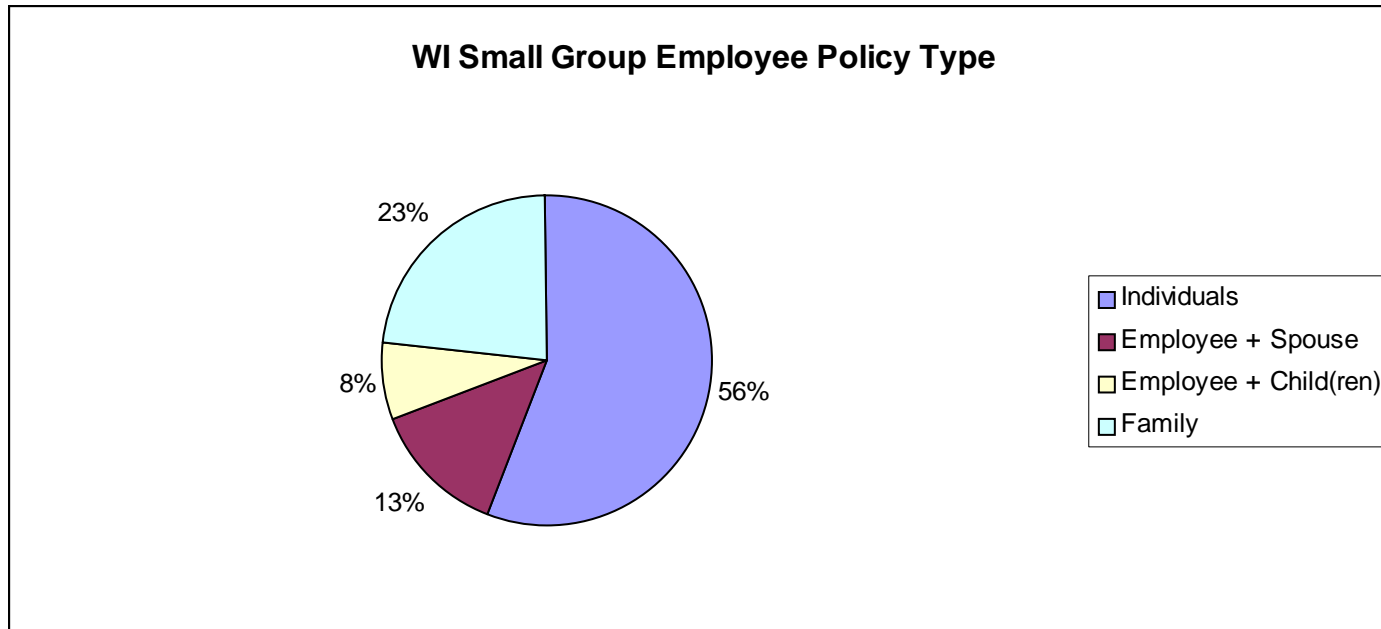


- 47% Female
- 53% Male

- 29% of Market < Age 19
- 50% of Market Between Age 19 and 50
- 21% of Market > Age 50

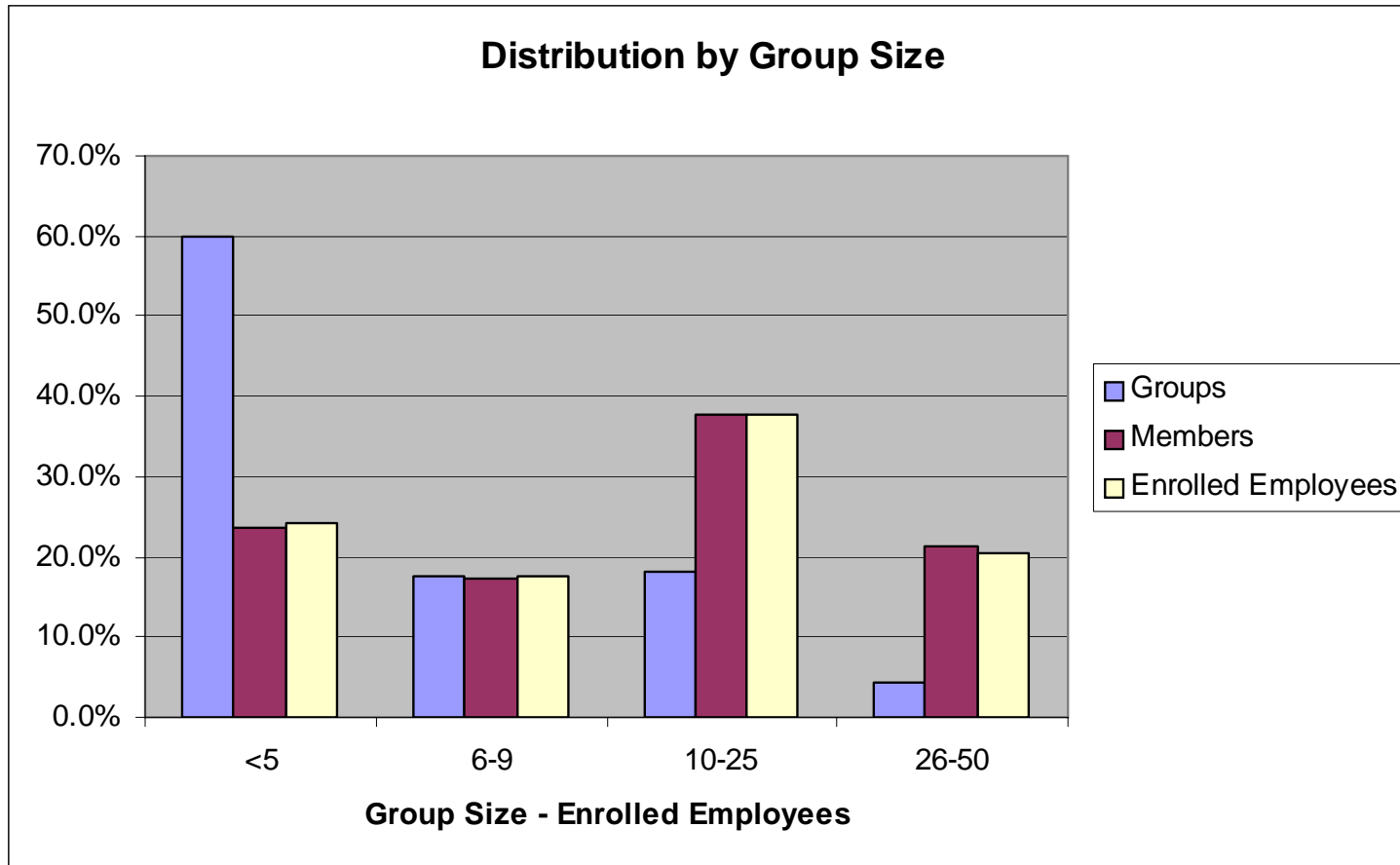
- Average Member Age is ~34 Years

Wisconsin Small Group Market Enrolled Employees



- Average Family Size
 - Employee + Child(ren) 2.6
 - Family 4.1

Wisconsin Small Group Market Distribution by Group Size

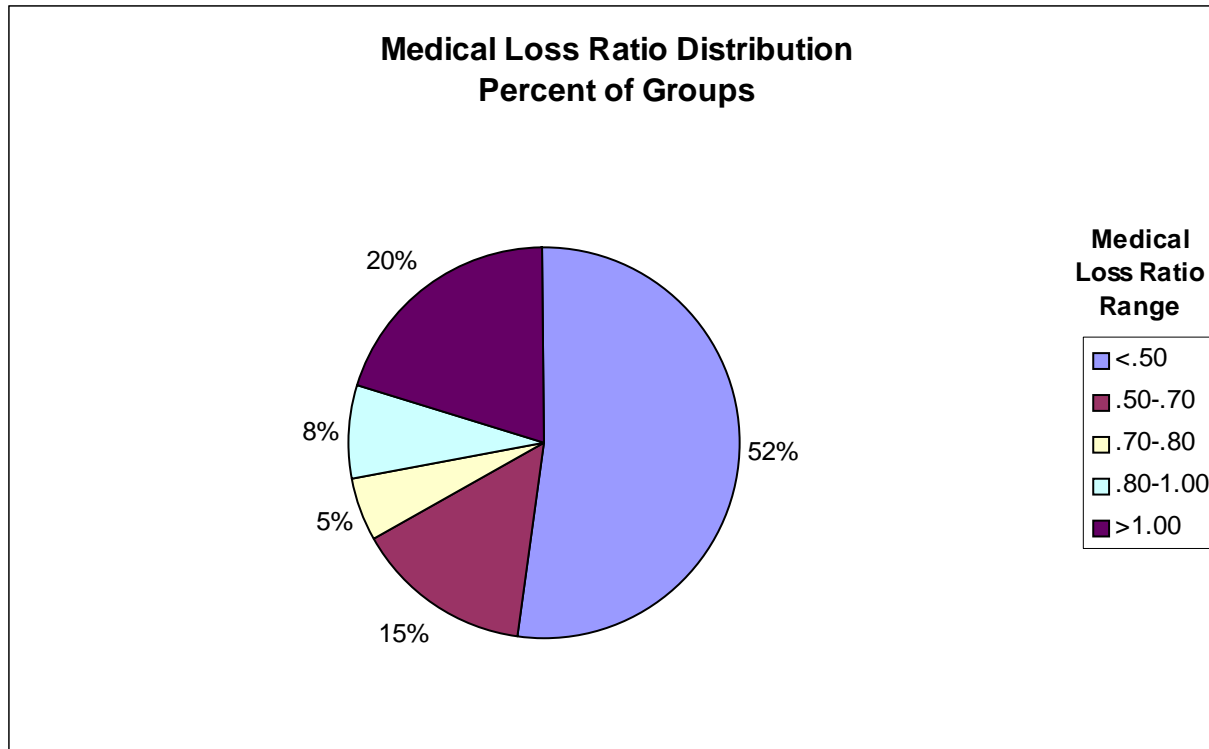




Wisconsin Small Group Market Distribution by Group Size

- 60% Of Groups Are Groups With Less Than 5 Enrolled Employees
- 38% Of SG Members Enrolled In Groups With 10-25 Employees
- 24% Of SG Members Enrolled In Groups With Less Than 5 Employees
- Average Group Size ~ 7 employees
- Distribution Similar To Massachusetts

Wisconsin Small Group Market Medical Loss Ratio (MLR) Analysis



- 52% of Groups Have MLR < 0.50
- 20% of Groups Have MLR > 1.00
- MLR For Entire SG Market is 0.78

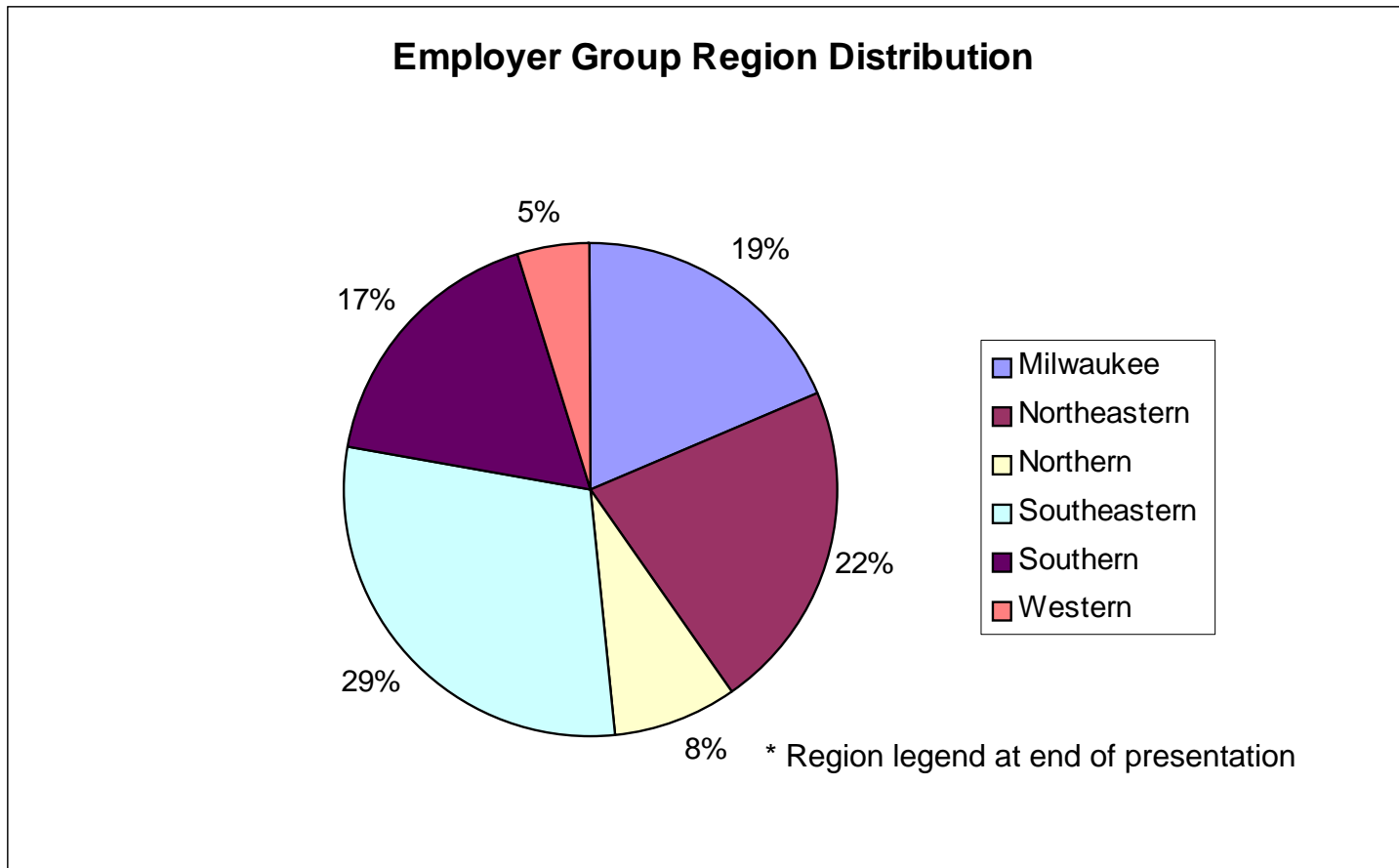
*Medical Loss Ratio defined as Claims divided by Premium

Wisconsin Small Group Market Medical Loss Ratio (MLR) Analysis

<i>Group Size - # of employees</i>	<i>CY 2007</i>		
	<i>Claims PMPM</i>	<i>Premium PMPM</i>	<i>MLR</i>
<5	\$ 261.60	\$ 338.50	77.3%
6-9	\$ 239.85	\$ 310.55	77.2%
10-25	\$ 236.25	\$ 298.95	79.0%
26-50	\$ 229.40	\$ 286.84	80.0%
Unknown	\$ 229.52	\$ 295.04	77.8%
Total	\$ 241.24	\$ 307.56	78.4%

- MLRs Lower For Smaller Groups By ~2%
- Selection Seems Apparent In Smaller Groups
 - Claims PMPM For Smallest Groups 14% Higher Than Claims Cost For Large Groups
- Revenue Grades Downward By Group Size
 - May Be Due To Group Size Surcharge

Wisconsin Small Group Market Region Analysis



Distribution of Members and Enrolled Employees by Region is Similar to Group Distribution



Wisconsin Small Group Market Region Analysis

- Distribution Of Groups, Members, And Enrolled Employees Are Similar
- Top 3 Regions
 - Southeastern with 29%, Northeastern with 22%, and Milwaukee with 19%
- Region Profitability

<i>Region Profitability</i>	<i>MLR</i>
Milwaukee	72.1%
Northeastern	83.5%
Northern	85.1%
Southeastern	77.7%
Southern	76.5%
Western	91.9%
Unknown	77.9%
Total	78.4%



Wisconsin Small Group Market Region Analysis

- Milwaukee profitability consistent across carriers
- Region analysis based on employer location –
Not where member receives their care
- Milwaukee premium surcharges are highest
 - Milwaukee subsidizing Northeastern, Northern, &
Western Regions

Wisconsin Small Group Market Industry Analysis

<i>Industry Distribution</i>	<i>Group Distribution</i>	<i>Members Distribution</i>	<i>Enrolled Employees Distribution</i>	<i>Average Group Size</i>
Services	16%	14%	13%	5.7
Finance, Insurance & Real Estate	16%	17%	18%	7.8
Construction	13%	17%	17%	8.9
Not Available	9%	4%	4%	3.4
Wholesale Trade	9%	9%	9%	7.1
Retail Trade	9%	8%	8%	6.5
Manufacturing	7%	10%	10%	9.3
Mining	6%	7%	7%	7.5
Transportation, Communication, & Public Utilities	6%	7%	7%	8.6
Nonclassified	6%	5%	5%	6.3
Agriculture, Forestry, & Fishing	2%	1%	2%	5.2
Public Administration	1%	1%	1%	6.3
Other	0%	0%	0%	5.1
Total				7.0

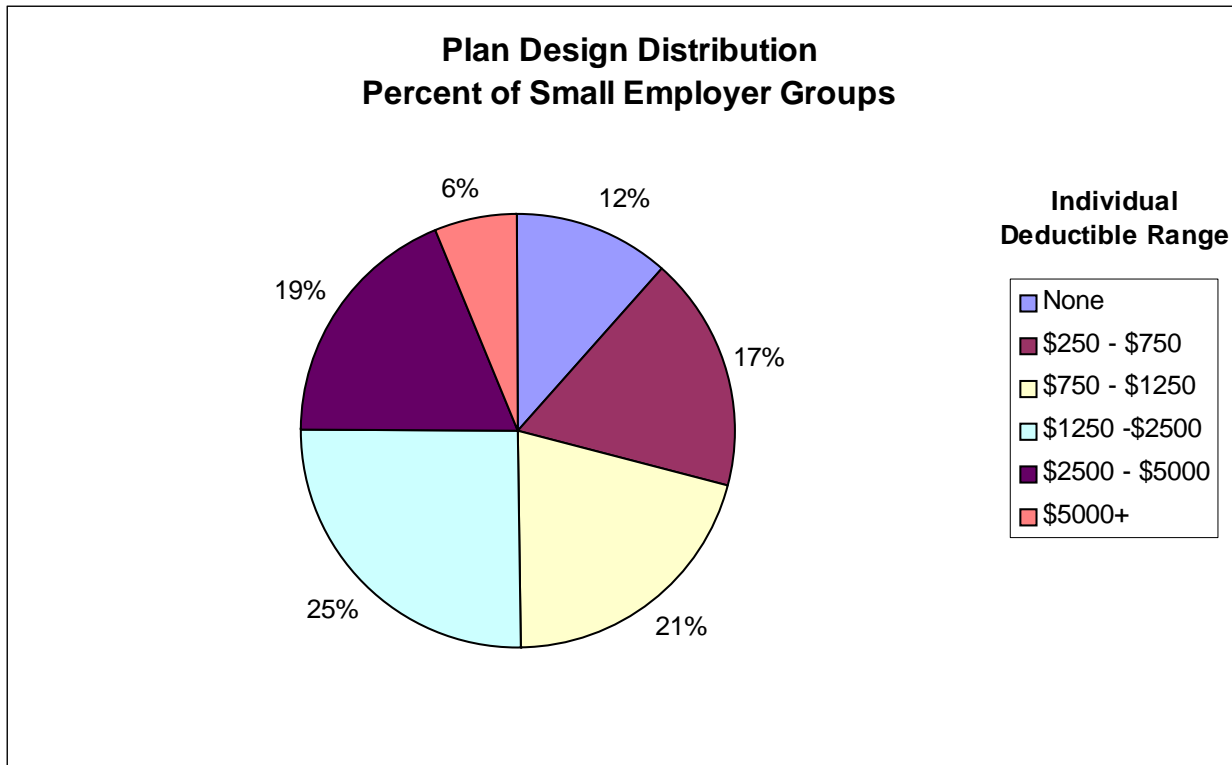
- Major Industries Represented
 - Finance, Services, And Construction
- Larger Employer Groups Found In:
 - Manufacturing, Construction, And Transportation, Communication, & Public Utilities

Wisconsin Small Group Market Renewal Month Analysis

<i>Anniversary Month</i>	<i>Group Distribution</i>
January	14.3%
February	7.9%
March	8.1%
April	8.2%
May	8.2%
June	8.4%
July	8.5%
August	7.3%
September	7.7%
October	7.8%
November	7.3%
December	6.3%
Total	100.0%

- Renewal (Anniversary) Month
 - When Rate Changes Occur For The Year
- 14.3% Of Groups Renew In January
- Relatively Even Distribution Across Other Months

Wisconsin Small Group Market Plan Designs



- 12% of Market Enrolled in “Top Dollar” Plan Designs
- 50% of Market Enrolled in Plans with Deductible Greater Than \$1250 for Individual Policies
- Average Deductible for Market Estimated at \$1500 for Individual Policies
- 6% of Market Enrolled in Deductible Plans Greater Than \$5000

*Plan design analysis developed using carrier data and GA pricing models



Wisconsin Small Group Market Plan Designs

- Actuarial Value “Loose” Definition: Percent of Total Medical Costs Paid by the Insurer

<i>Group Size</i>	<i>Actuarial Value</i>	<i>Enrolled Employees</i>
<5	0.72	24.2%
6-9	0.71	17.6%
10-25	0.68	37.6%
26-50	0.66	20.6%
Total	0.69	

- Surprisingly, Actuarial Value Decreases as Group Size Increases
- MA SG Actuarial Value ~ 0.89
 - Richer Benefits in the MA Market vs. WI



Wisconsin Small Group Market Rating Rules Overview

- Small Employer Defined as 2-50 Employees
- Restrictions on Health Status Adjustment
 - Rates can not vary by +/-30% of the midpoint for policies with similar “case characteristics” and benefits
 - Upon renewal, health status adjustment can not increase more than 15%
- Case Characteristics – “actuarially based characteristics of employees of a small employer”
 - e.g. Age, Sex, Geography, Group Size
 - Excludes claims, health status, duration, occupation etc.
- No Rate Restrictions On Adjustments To The Rate For Case Characteristics
 - Surcharges and Discounts to rates due to case characteristics limitless..
 - Result is a wide variation in rates



Wisconsin Small Group Market Current Rating Practice

- Health Status Adjustment
 - Determination Of Adjustment Varies Considerably Across The Market
 - Adjustment Is Typically A Combination Of Other Adjustments
 - Industry
 - Duration
 - Health Status
 - Claims Experience and Loss Ratio Information
 - Health Status Determined Using
 - Uniform Employee Application – Medical Underwriting
 - Risk Adjustment Modeling
 - Health Status Adjustment Restricted To +/-30% Of Midpoint
 - Highest rate can be 86% higher than lowest rate



Wisconsin Small Group Market Current Rating Practice

■ Case Characteristics

□ Age/Gender Adjustment

- Member vs. Subscriber Enrolled Employee
- Review Of Data Shows on average, Highest Rate Can Be 7 Times (600%) Higher Than That Of The Lowest Rate Due To Age/Gender Adjustment
- In Other Words, Discounts Rates ~60%,
Surcharge Rates ~260%



Wisconsin Small Group Market Current Rating Practice

- Geography Adjustment

- Determination Varies Across Market

- Based on Employer Group Location
- Based on PCP Location
- Based on Employee Location
- Based on Member Location

- Data Shows on average, Highest Rate Can Be 68% Higher Than Lowest Rate Due To Geography



Wisconsin Small Group Market Current Rating Practice

□ Case Size Adjustment

- Surcharge And Discount Rate Based On Size Of Employer Group
- Group Size Definitions Vary Across Market, But in General: <5, 6-9, 10-25, 26-50
- Data Shows Highest Rate Can Be 32% Higher Than The Lowest Rate Due To Case Size

□ Average Family Size

- Inconsistently Used Across The Market

Wisconsin Small Group Market Current Rating Practice

	+/-30%	No Limits			Total
	Health Status	Age/Gender	Geography	Case Size	
Rate Band	1.86	7.00	1.63	1.31	27.89
Percentage	86%	600%	63%	31%	2689%

- Resulting rate band is 27.9, highest rate can be nearly 28 times the lowest rate
 - That is, highest rate can be 2,689% higher than lowest rate

	+/-30%	No Limits		Total
	Health Status	Age/Gender	Case Size	
Rate Band	1.86	7.00	1.31	17.10
Percentage	86%	600%	31%	1610%

- Excluding Geography, highest rate can be 17.1 times the lowest rate, or 1,610% higher

Wisconsin Small Group Market Rating Adjustments by Group Size

<i>Group Size</i>	<i>Charged Age/Gender Adjustment</i>	<i>Charged Health Status Adjustment</i>	<i>Charged Case Size Adjustment</i>
<5	1.051	1.017	1.054
6-9	0.98	1.01	0.99
10-25	0.99	1.00	0.98
26-50	0.99	0.96	0.98
Total	1.00	1.00	1.00

- Smaller Groups Appear Older And Have Higher Health Status Adjustment Than Larger Groups

Wisconsin Small Group Market Rating Adjustments by Region

<i>Region</i>	<i>Charged Area Adjustment</i>
Milwaukee	1.09
Northeastern	0.86
Northern	0.97
Southeastern	1.05
Southern	0.99
Western	0.99
Unknown	1.01
	1.00

- Employer Groups Located In Milwaukee And Southeastern Region Surcharged The Highest
- Deepest Discount Given In The Northeastern Region

*Note: Region based on Employer Group Location

Wisconsin Small Group Market Rating Adjustments by Region

<i>Region</i>	<i>Charged Age Adjustment</i>	<i>Charged Health Status Adjustment</i>	<i>Actuarial Value</i>
Milwaukee	1.03	1.03	0.65
Northeastern	0.99	0.99	0.66
Northern	0.99	0.99	0.72
Southeastern	1.00	0.99	0.64
Southern	0.99	1.00	0.85
Western	1.00	0.98	0.76
Unknown	0.95	1.00	0.82

- Employers located in Milwaukee appear to be older and have a worse health status
- Plan designs in Milwaukee appear to be less rich than the statewide average

Wisconsin Small Group Market Rating Adjustments by Plan Design

<i>Deductible Range</i>	<i>Charged Age/Gender Adjustment</i>	<i>Charged Health Status Adjustment</i>	<i>Medical Loss Ratio</i>
None	0.988	1.005	74%
\$250 - \$750	0.991	1.003	76%
\$750 - \$1250	0.980	0.995	80%
\$1250 - \$2500	0.984	0.986	79%
\$2500 - \$5000	1.021	1.000	80%
\$5000+	1.080	1.244	83%

- Age/Gender Adjustments And Health Status Adjustments Higher For High Deductibles Health Plans
- Appears Older Groups With Poorer Health Status Are “Forced” To Purchase High Deductible Plans
- Medical Loss Ratios Increase as Deductibles Increase



Wisconsin Small Group Market Conclusions

- Rate Restrictions For Age/Gender And Case Size May:
 - Provide Rate Relief For Smaller Groups (<5)
 - Increase Rates For Larger Groups (6+)
 - Provide Rate Relief For Groups With High Deductible Health Plans
 - Increase Rates For Groups With Richer Product Designs



Wisconsin Small Group Market Conclusions

- Possible rating reform
 - Version 1
 - Age/Gender Band 4:1
 - Health Status 1.5:1
 - Case Size Adjustment 1.2:1
 - Combined Band ~ 7:1
 - Current Band ~ 17:1
 - Version 2
 - Age/Gender Band 4:1
 - Health Status Adjustment not allowed
 - Case Size Adjustment 1.2:1
 - Combined Band ~ 5:1



Wisconsin Small Group Market Conclusions

- Next Steps – Model above scenarios
 - Actuarial Analyses
 - Model premium rate impact of above rating reforms
 - Understand Winners & Losers
 - Economic Analyses
 - Model Employer and Employee Behavior based on Actuarial Analysis
 - Understand Distribution of Insurance Coverage



Region Definitions

- Employer Group Information is Assigned to Regions Based on Counties

Milwaukee	Northeastern	Northern	Southeastern	Southern	Western
Milwaukee	Brown	Ashland	Jefferson	Adams	Barron
	Calumet	Bayfield	Kenosha	Columbia	Buffalo
	Door	Florence	Ozaukee	Crawford	Burnett
	Fond du Lac	Forest	Racine	Dane	Chippewa
	Green Lake	Iron	Walworth	Dodge	Clark
	Kewaunee	Langlade	Washington	Grant	Douglas
	Manitowoc	Lincoln	Waukesha	Green	Dunn
	Marinette	Marathon		Iowa	Eau Claire
	Marquette	Oneida		Juneau	Jackson
	Menominee	Portage		Lafayette	La Crosse
	Oconto	Price		Richland	Monroe
	Outagamie	Sawyer		Rock	Pepin
	Shawano	Taylor		Sauk	Pierce
	Sheboygan	Vilas		Vernon	Polk
	Waupaca	Wood			Rusk
	Waushara				St. Croix
	Winnebago				Trempealeau
					Washburn