

State Health Insurance – Wellmark Contract

Frequently Asked Questions

1. What plans are under the Wellmark Contract?

The Plans being discussed are Program 3 Plus and Iowa Select for noncontract, AFSCME, PPME, and IUP employees. SPOC-covered employees are not included in these plans. These plans are scheduled for rate renewals in January 2001. Wellmark is proposing significant rate increases for January 2001 based on increased usage and costs. While in the short run there is little we can do to decrease our costs, we are studying long-term solutions, including behavioral and plan structure modifications.

2. What percentage increase was the FY 2001 salary adjustment appropriation based on?

The salary adjustment appropriation was based upon a 4% increase in the state share of premiums starting on January 1, 2001. (This is the amount of increase Wellmark received on January 1, 2000.) Unfortunately, claims experience has increased faster than anyone, including Wellmark, anticipated. Because of this increase, and with the surplus reserves being depleted quicker than anticipated, the increases in the Schedule 10s were introduced.

3. What is the actual employer share increase in the Schedule 10s?

The Schedule 10s included costs of a 17% employer share increase on July 1, 2000 and another 17% employer share increase on January 1, 2001.

4. Why is the state portion (employer share) of the health insurance premium going up on July 1, 2000, when there is no corresponding employee increase?

Health insurance premiums are used to pay monthly "operational" costs of ongoing claims and administration. In the past, the share of the premiums needed to pay for ongoing expenses was more than the actual claims and administration; therefore a surplus was built up. Also, the State received two additional payments related to the employer share from Wellmark in 1996 and 1997. The first payment was for \$4 million due to a provider discount issue. The second was for \$12.5 million due to money Wellmark had charged the direct pay group and failed to send to the State since 1994. These payments were deposited into the surplus reserves.

The employer and employee share of the surplus reserves were used to "buy-down" premiums. The employee share was depleted at the end of the 1996-1997-contract period. The employer share of the surplus reserves continues to be used.

Unfortunately, claims experience has been running much higher than expected; therefore the surplus reserves have been used quicker than expected. The 17% increase of employer share of the premiums on July 1, 2000, is expected to slow down the draw on the surplus reserves for the rest of calendar year 2000. (It should be noted that even with this increase, there is still some "buy down" of the employer share of the premium.) The additional 17% increase of employer share of the premiums on January 1, 2001 is in anticipation of an increase Wellmark will receive at that time.

It is understood that this is an additional hardship upon the Agencies, but it was felt that implementing the increases now would give Agencies a full fiscal year to manage the shortfall.

5. Will there be an additional increase on January 1, 2001 above what is already built into the Schedule 10s?

Until negotiations are completed with Wellmark, it is premature to discuss any additional increases. When negotiations are completed, all options will be presented to Governor Vilsack for his review and consideration. If the final rate increase is in the range presented by Wellmark, the 17% rate increase planned for January 2001 may need to be adjusted or other funding strategies considered.

6. What type of increases will be included for FY2002?

Again, until negotiations with Wellmark are completed, it is premature to discuss future increases, except for the expectation of some type of increase. As stated previously, when negotiations are completed with Wellmark, Governor Vilsack will be given all the options for his review and consideration.

7. When are negotiations with Wellmark to be completed?

While there is no final "drop dead" date, it is hoped the final percentage increase will be negotiated by the end of August. Throughout the rest of July and August, we will review the information presented by Wellmark with the assistance of our actuarial consultants to determine the appropriate increase. The August resolution of final rates allows for approval by the Executive Council prior to the planned enrollment and change period that traditionally occurs in October.