



WISCONSIN DEPARTMENT OF
ADMINISTRATION

SCOTT WALKER
GOVERNOR

SCOTT A. NEITZEL
SECRETARY

Office of the Secretary
Post Office Box 7864
Madison, WI 53707-7864
Voice (608) 266-1741
Fax (608) 267-3842

For Immediate Release

May 26, 2017

Contact: Steven Michels, (608) 267-7874

Rejecting Self-Insurance Will Cost Wisconsin Taxpayers *State Health Care Costs Projected to Rise Higher than Anticipated AND Self-Insurance avoids a \$32 million ObamaCare Tax*

Madison – The Group Insurance Board (GIB) and Division of Personnel Management submitted a letter today to the Joint Committee on Finance (JFC) detailing the consequences of rejecting self-insurance. The letter shows if JFC does not approve self-insurance, the current health providers will pass on a \$32 million annual tax to the state and the state will not have a sustainable way to realize \$60 million of General Purpose Revenue (GPR) savings without significant negative impacts. The \$60 million in GPR savings equates to an all-funds savings of \$134.4 million in the upcoming biennial budget. This is separate and in addition to the \$32 million annual all funds ObamaCare tax.

“There is no reason the hard-working taxpayers of Wisconsin need to send their money to Washington for an ObamaCare tax,” Secretary Scott Neitzel said. “By simply changing how the state pays for insurance, Wisconsin will avoid a \$32 million federal tax, save \$103 million in GPR, and align with the best practices of the private sector and nearly half of all states.”

Based on the latest information from the GIB, the savings from self-insurance have grown by \$21 million. Not moving to self-insurance will require the legislature to identify \$103 million in GPR over the biennium.

Preliminary estimates indicate premiums for fully-insured medical care are likely to increase by at least 10 percent for state employee and 5.1 percent for local employees in 2018. These estimates are based on trend and claims data self-reported by the current health plans. If self-insurance is rejected, alternatives identified to realize savings raise numerous concerns:

- **Increase State Employee Premium Contributions:** State employee health insurance premium contributions would need to increase by 50 percent.
- **Increase Out-of-Pocket Costs:** The annual deductible paid by state employees would need to increase by 400 percent from the current deductible.
- **Draws Down Health Insurance Reserve Fund:** GIB maintains reserve funds which have been used to offset rising healthcare costs. To realize the same savings achieved by self-insurance the reserves would need to be drawn down by \$134.4 million, which would deplete the reserves to an amount inconsistent with actuarial recommendations and only be a one-time, short term solution. Drawing down the reserves to their lowest recommended level of 15 percent of annual claims would only draw down \$75.2 million. This would not achieve the necessary savings and put the state at risk of a corresponding spike in premium costs in the following year. More reserves would be needed or additional savings identified to compensate for the additional \$32 million ObamaCare tax.

WISCONSIN IS OPEN FOR BUSINESS

Wisconsin.gov

The GIB concluded that solutions other than self-insuring provide a short-term fix or do nothing to reign in long-term program costs or cause large increases in employee costs.

Earlier this month, GIB submitted the successfully negotiated self-insurance third-party administrator contracts to the JFC. Self-insurance is used by both the public sector and private sector companies across the country. In fact, 46 states use a partially or entirely self-insured model to provide health care benefits. Nearly half of all states are fully self-insured, including Minnesota, and 94 percent of employees in organizations of more than 5,000 workers are in self-insured plans.

The GIB letter can be found [here](#).

###