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STATE OF WISCONSIN)
OFFICE OF THE COMMISSIONER OF INSURANCE)

FEB 29 1988

DOUGLAS LA FOLLETTE
SECRETARY OF STATE

TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETINGS:

I, Robert D. Haase, Commissioner of Insurance and custodian of the official records of said office, do hereby certify that the annexed order amending and creating a rule relating to prescribing detailed requirements for excess or stop-loss insurance for self-insured employee health care benefit plans provided by counties or school districts was issued by this office February 26, 1988.

I further certify that said copy has been compared by me with the original on file in this office and that the same is a true copy thereof, and of the whole of such original.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name in the City of Madison, State of Wisconsin, this 29th day of February, 1988.



Robert D. Haase
Commissioner of Insurance

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STATE OF WISCONSIN
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FEB 29 1988

DOUGLAS LA FOLLETTE
SECRETARY OF STATE

ORDER OF THE COMMISSIONER OF INSURANCE

AMENDING AND CREATING A RULE

To amend Ins 6.51 (2) and to create Ins 8.11 relating to prescribing detailed requirements for excess or stop-loss insurance for self-insured employe health care benefit plans provided by counties or school districts.

ANALYSIS PREPARED BY THE COMMISSIONER OF INSURANCE

Statutory authority: s. 120.13 (2) (d), Stats.

Statutes interpreted: ss. 59.07 (2) (c) and 120.13 (2) (c), Stats.

The purpose of this rule is to prescribe detailed requirements for excess or stop-loss insurance for self-insured employe health care benefit plans provided by counties or school districts. The rule establishes the amount of excess or stop-loss insurance that the plan must purchase. It also requires an actuary to file specified information with the insurance commissioner on a periodic basis. This information includes the number of employes eligible to participate, the number of employes covered by the plan, a description of the plan's coverages and a statement that the plan meets the excess or stop-loss insurance requirements established by the rule.

SECTION 1. Ins 6.51 (2) is amended to read:

Ins 6.51 (2) SCOPE. This section shall apply to all group life and group disability policies covering employes or employees and dependents, issued by insurers providing insurance as defined in s. Ins 6.75 (1) (a) or (c) or (2) (c). It shall apply to blanket policies only if they provide 24-hour coverage for both injury and sickness; any blanket policy, covering any type of group, which provides for renewal shall be subject to subs. (4) and (5); any blanket policy covering students of a college or university, regardless of whether it provides for renewal, shall be subject to subs. (6) and (7). Subsection (4) (a) shall apply only to group policies as defined in sub. (3) (c) 2. Subs. (6) and (7) do not apply to excess or stop-loss insurance purchased under s. 120.13 (2) (c), Stats., by a county or school district that self-insures employe health benefits.

SECTION 2. Ins 8.11 is created to read:

Ins 8.11. COUNTY AND SCHOOL DISTRICT SELF-INSURED EMPLOYE HEALTH CARE BENEFITS; EXCESS OR STOP-LOSS INSURANCE REQUIREMENTS. (1) PURPOSE. This section interprets ss. 59.07 (2) (c) and 120.13 (2) (c), Stats., for the purpose of prescribing detailed requirements for excess or stop-loss insurance for self-insured employe health care benefit plans provided by counties or school districts.

(2) SCOPE. This section applies to any county or school district that alone or together with one or more counties or one or more school districts provides employe health care benefits on a self-insured basis to less than 1,000 covered employes.

(3) DEFINITIONS. In this section:

(a) "Aggregate claims" means total actual claim amounts incurred under the employe health care benefit plan during a benefit period.

(b) "Aggregate deductible" means the aggregate amount of liability specified in the excess or stop-loss insurance contract at or below which the county or school district remains liable for payments for eligible claims.

(c) "Benefit period" means a twelve-month accounting or reporting period of the employe health care benefit plan.

(d) "Coinsurance" means a fixed percentage of each claim established in the employe health care benefit plan which the county or school district is obligated to pay for each person covered in the plan.

(e) "Covered employes" means employes participating in an employe health care benefit plan.

(f) "Employes eligible to participate" means employes who are eligible to be covered employes under the terms of the employe health care benefit plan.

(g) "Employe health care benefit plan" means a self-insured plan established by one county or school district or jointly by two or more counties or two or more school districts to provide health care benefits to employes eligible to participate in the plan.

(h) "Expected claims" means the most accurate actuarial estimate of aggregate claims during a benefit period.

(i) "Incurred" means to have provided or furnished a service or item to an employe or dependent covered under an employe health care benefit plan for which a charge for a covered expense is made.

(j) "Maximums" means the largest total amount of claims per person established by the employe health care benefit plan which the county or school district is obligated to pay.

(k) "Paid basis" means the application of a claim payment to the aggregate deductible for the benefit period in which the payment is actually made, regardless of when the claim is incurred.

(1) "Quota share reinsurance" means insurance purchased for the employe health care benefit plan which pays the plan a pre-determined fixed percentage of each claim.

(4) EXCESS OR STOP-LOSS INSURANCE REQUIREMENTS. (a) Excess or stop-loss insurance required by s. 120.13 (2) (c), Stats., shall provide coverage for all claims incurred during the term of the policy or contract at a level at which an actuary has certified that the probability that aggregate claims will exceed 125 percent of expected claims is less than 5 percent.

(b) Each employe health care benefit plan shall be covered by one excess or stop-loss insurance policy that satisfies par. (a), regardless of the number of counties or school districts participating in the plan.

(c) Notwithstanding par. (a), a county or school district that self-insures employe health benefits under a plan in which an actuary has certified that the probability that aggregate claims will exceed 125 percent of expected claims is less than one-half percent need not purchase excess or stop-loss insurance.

(5) EXCESS OR STOP-LOSS INSURANCE PROVIDED ON A PAID BASIS. (a) Excess or stop-loss insurance required by s. 120.13 (2) (c), Stats., may provide coverage on a paid basis.

(b) Upon termination for any reason of an excess or stop-loss insurance policy that provides coverage on a paid basis, the policy shall apply all claims incurred but not paid prior to the termination of the policy to the aggregate deductible of the benefit period in which the service or item was provided or furnished to an employe or dependent under the self-insured employe health care benefit plan.

(6) ACTUARIAL CERTIFICATION. (a) Every county or school district with a plan that is subject to s. 120.13 (2) (c), Stats., shall file with the commissioner of insurance within 30 days after the effective date of the

self-insured employe health care benefit plan, every three years thereafter and whenever a material change occurs to the plan, an actuarial certification that includes information on:

1. The number of employes eligible to participate in the plan and the number of covered employes in the plan.

2. A description of the plan's coverages including but not limited to an outline of benefits provided, deductibles, coinsurance, maximums and quota share reinsurance, if any.

3. A statement that the plan satisfies the excess or stop-loss insurance requirements specified in sub. (4).

4. Except for a county or school district with a plan subject to s. 641.08, Stats., a copy of the excess or stop-loss insurance contract and of the plan for self-insuring. Note: A county or school district with a plan subject to Chapter 641, Stats., must already file this information with the commissioner.

(b) The actuarial certification required in par. (a) may be filed by an actuary employed by the excess or stop-loss insurer or by an actuary independent of the excess or stop-loss insurer.

(c) Two or more counties or two or more school districts that jointly establish an employe health care benefit plan shall designate the individual who will file the actuarial certification required in par. (a). Only one actuarial certification shall be filed for the plan.

Note: The commissioner of insurance will utilize the following tables to evaluate actuarial certifications for accuracy and compliance with this section. The following example illustrates the application of the tables. This example only gives a basic description of how to use the following tables. It may be necessary to extrapolate or interpolate from the information given in the tables in order to apply the tables to a particular

plan. An actuary or other qualified person should be consulted to be certain that a plan meets the requirements of sub. (4). Also note that no table provides a description of dental or vision plan benefits. Under sub. (4)(c), many dental or vision plans may not need to purchase stop-loss insurance.

Example

Assume a school district has a self-insured employee health care benefit plan that covers 250 employees and family members. The plan offers individual specific stop-loss of \$25,000 and provides benefits with a \$500.00 deductible per person, 80 percent coinsurance and \$1,000.00 out-of-pocket limit per person.

The plan's stop loss coverage and benefit package are the same as that used in Table 7. Therefore, use Table 7 for determining whether the plan meets the requirements in sub. (4) of the rule.

In Table 7, use the 125 percent of mean line. Since sub. (4) (a) of the rule deals with "125 percent of expected claims," refer to the 125 percent of mean line when using any of the tables.

To determine whether the probability that aggregate claims will exceed 125 percent of expected claims is less than 5 percent, subtract the decimal numbers shown in the tables from the number "1". For example, for a plan offering the benefits described in Table 7 and having 25 employees, the probability that aggregate claims will exceed 125 percent of expected claims is 28 percent ($1 \text{ minus } .72 = .28$). It is 26 percent for 50 employees ($1 \text{ minus } .74$), 23 percent for 100 employees ($1 \text{ minus } .77$), etc.

In this example, the plan covers 250 employees. Table 7 shows that at 250 employees, the probability that aggregate claims will exceed 125 percent of expected claims is 18 percent ($1 \text{ minus } .82$).

In order to comply with the rule, this probability must be less than 5 percent. In this example, the probability is 18 percent. Therefore, the school district or county must purchase aggregate stop-loss insurance at a level sufficient to bring this probability down to less than 5 percent. Stop-loss insurance is sold at various levels, including a level at which the probability that aggregate claims will exceed 125 percent of expected claims is less than 5 percent. At a minimum, the school district or county should purchase stop-loss insurance at this level.

STATE OF WISCONSIN

Distribution of Medical Claim

Individual Specific Stop Loss Level: \$5,000

July 1, 1987

Probability that Medical Claims are

Less Than a Given Percent of Mean

\$0 Deductible, 100 Percent Coverage

Percent of Mean	Employees				
	100	250	500	1,000	5,000
50 %	.04	.01	.00	.00	.00
75	.19	.14	.06	.01	.00
100	.53	.52	.51	.51	.51
105	.60	.61	.63	.70	.86
110	.67	.69	.74	.84	.96
115	.73	.77	.83	.92	.99
120	.78	.83	.89	.97	1.00
125	.83	.87	.94	.99	1.00
130	.86	.90	.96	1.00	1.00
150	.95	.98	1.00	1.00	1.00

Table 2

STATE OF WISCONSIN

Distribution of Medical Claim
Individual Specific Stop Loss Level: \$10,000
July 1, 1987

Probability that Medical Claims are
Less Than a Given Percent of Mean

\$0 Deductible, 100 Percent Coverage

<u>Percent of Mean</u>	<u>Employees</u>				
	<u>100</u>	<u>250</u>	<u>500</u>	<u>1,000</u>	<u>5,000</u>
50 %	.05	.01	.00	.00	.00
75	.21	.14	.06	.01	.00
100	.53	.52	.52	.51	.51
105	.60	.61	.63	.69	.85
110	.66	.69	.74	.83	.96
115	.72	.76	.83	.91	.99
120	.77	.82	.89	.96	1.00
125	.82	.86	.93	.99	1.00
130	.85	.90	.96	1.00	1.00
150	.94	.98	1.00	1.00	1.00

Table 3

STATE OF WISCONSIN

Distribution of Medical Claim
Individual Specific Stop Loss Level: \$25,000
July 1, 1987

Probability that Medical Claims are
Less Than a Given Percent of Mean

\$0 Deductible, 100 Percent Coverage

<u>Percent of Mean</u>	<u>Employees</u>				
	<u>100</u>	<u>250</u>	<u>500</u>	<u>1,000</u>	<u>5,000</u>
50 %	.06	.01	.00	.00	.00
75	.24	.15	.07	.01	.00
100	.54	.53	.53	.52	.52
105	.60	.61	.63	.68	.83
110	.66	.70	.73	.82	.95
115	.71	.75	.81	.90	.99
120	.76	.80	.87	.95	1.00
125	.80	.85	.92	.98	1.00
130	.83	.89	.95	.99	1.00
150	.92	.97	1.00	1.00	1.00

STATE OF WISCONSIN

Distribution of Medical Claim
Individual Specific Stop Loss Level: Unlimited
July 1, 1987

Probability that Medical Claims are
Less Than a Given Percent of Mean

\$0 Deductible, 100 Percent Coverage

<u>Percent of Mean</u>	<u>Employees</u>				
	<u>100</u>	<u>250</u>	<u>500</u>	<u>1,000</u>	<u>5,000</u>
50 %	.07	.02	.00	.00	.00
75	.29	.19	.10	.02	.00
100	.59	.56	.56	.55	.53
105	.63	.63	.64	.68	.80
110	.69	.70	.73	.79	.93
115	.73	.75	.80	.87	.98
120	.76	.79	.85	.92	1.00
125	.80	.84	.89	.95	1.00
130	.83	.87	.92	.97	1.00
150	.91	.95	.98	1.00	1.00

Table 5

STATE OF WISCONSIN

Distribution of Medical Claim
Individual Specific Stop Loss Level: \$5,000
July 1, 1987

Probability that Medical Claims are
Less Than a Given Percent of Mean

\$500 Deductible Per Person, 80 Percent Coinsurance,
\$1,000 Out-of-Pocket Limit Per Person

<u>Percent of Mean</u>	<u>Employees</u>					
	<u>25</u>	<u>50</u>	<u>100</u>	<u>150</u>	<u>250</u>	<u>500</u>
50 %	.22	.13	.06	.05	.01	.00
75	.39	.32	.23	.21	.16	.07
100	.57	.55	.53	.52	.52	.52
105	.60	.60	.60	.60	.61	.63
110	.63	.64	.66	.66	.69	.73
115	.66	.68	.71	.72	.76	.81
120	.69	.72	.76	.77	.81	.88
125	.72	.74	.80	.82	.85	.92
130	.74	.77	.83	.84	.89	.95
150	.82	.87	.92	.94	.97	1.00

STATE OF WISCONSIN

Distribution of Medical Claim
Individual Specific Stop Loss Level: \$10,000
July 1, 1987

Probability that Medical Claims are
Less Than a Given Percent of Mean

\$500 Deductible Per Person, 80 Percent Coinsurance,
\$1,000 Out-of-Pocket Limit Per Person

Percent of Mean	Employees					
	25	50	100	150	250	500
50 %	.25	.16	.07	.05	.02	.00
75	.42	.34	.25	.23	.17	.08
100	.58	.55	.55	.53	.53	.53
105	.60	.60	.60	.60	.61	.63
110	.64	.64	.65	.66	.68	.73
115	.67	.67	.70	.72	.74	.80
120	.70	.71	.75	.76	.79	.86
125	.71	.74	.78	.80	.84	.91
130	.74	.77	.82	.84	.89	.94
150	.81	.85	.91	.93	.96	.99

Table 7

STATE OF WISCONSIN

Distribution of Medical Claim
Individual Specific Stop Loss Level: \$25,000
July 1, 1987

Probability that Medical Claims are
Less Than a Given Percent of Mean

\$500 Deductible Per Person, 80 Percent Coinsurance,
\$1,000 Out-of-Pocket Limit Per Person

<u>Percent of Mean</u>	<u>Employees</u>					
	<u>25</u>	<u>50</u>	<u>100</u>	<u>150</u>	<u>250</u>	<u>500</u>
50 %	.29	.19	.08	.06	.02	.00
75	.47	.39	.30	.26	.19	.10
100	.61	.58	.56	.55	.54	.53
105	.64	.61	.61	.61	.61	.63
110	.66	.64	.65	.66	.67	.71
115	.68	.68	.70	.70	.73	.78
120	.70	.70	.73	.74	.79	.85
125	.72	.74	.77	.79	.82	.89
130	.74	.76	.80	.82	.86	.93
150	.80	.83	.89	.92	.95	.99

STATE OF WISCONSIN

Distribution of Medical Claim
Individual Specific Stop Loss Level: Unlimited
July 1, 1987

Probability that Medical Claims are
Less Than a Given Percent of Mean

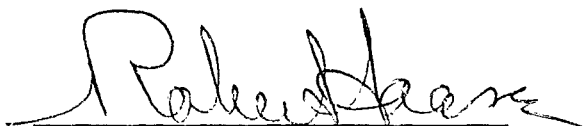
\$500 Deductible Per Person, 80 Percent Coinsurance,
\$1,000 Out-of-Pocket Limit Per Person

Percent of Mean	Employees					
	25	50	100	150	250	500
50 %	.35	.24	.12	.09	.04	.00
75	.53	.53	.37	.32	.25	.15
100	.67	.66	.61	.59	.58	.57
105	.69	.68	.65	.64	.64	.64
110	.71	.71	.68	.68	.69	.72
115	.72	.72	.72	.72	.73	.78
120	.74	.75	.75	.75	.77	.83
125	.76	.76	.78	.79	.81	.87
130	.77	.78	.80	.81	.84	.90
150	.82	.84	.88	.89	.92	.96

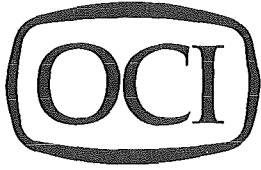
(7) ACTUARY QUALIFICATIONS. The actuarial certification specified in sub. (6) shall be signed by an actuary who satisfies the requirements of s. INS 6.12.

EFFECTIVE DATE. Pursuant to s. 227.22 (2), Stats., this rule shall first apply on the first day of the month commencing after the date of publication.

Dated at Madison, Wisconsin, this 29th day of February, 1988.

A handwritten signature in cursive script, appearing to read "Robert D. Haase", written over a horizontal line.

Robert D. Haase
Commissioner of Insurance



The State of Wisconsin
Office of the Commissioner of Insurance

Robert D. Haase
Commissioner
(608) 266-3585

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DATE: February 23, 1988
TO: Gary Poulson
FROM: Fred Nepple, General Counsel
Office of the Commissioner of Insurance
SUBJECT: Ins 8.11, Clearinghouse No. 87-89

Enclosed are two copies of an Order of the Commissioner of Insurance amending Ins 6.51 (2) and creating Ins 8.11, Clearinghouse No. 87-89 relating to prescribing detailed requirements for excess or stop-loss insurance for self-insured employe health care benefit plans provided by counties or school districts.

FN:DC:mle
Enclosure
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