

Group Health Insurance Actuarial Services Appendix 6

Wisconsin ETF Three-Tier Rate Development

PROCESS

The process of placing health plans into tiers for the new contribution structure is a two-part process. The first phase has the sole purpose of establishing two numbers. These numbers are the breakpoints between Tiers 1 & 2 and Tiers 2 & 3. The second phase then aligns the health plan actual bids against these breakpoints.

The significant elements of each phase are listed below.

I. Setting Breakpoints

- The calculations are based on actual plan experience as collected in Addendum 1.
- Some modifications were made to experience and trend rates to mitigate unreasonable plan input.
- Resulting PMPM numbers were placed in a continuum via a risk adjustment process.
- The risk adjustment included:
 - age/sex adjustment
 - area adjustment
 - large case adjustment
 - contract mix adjustment
 - prescription drug risk adjustment (DxCG based)
- Specific plan position on this continuum was not important or even noted.
- The breakpoints were set at 100% and 110% of the average risk-adjusted PMPM.
- The resulting numbers were carried forward into the next phase.

II. Establishing Tier Placement

- This phase is based on the plan's actual bids.
- The bids were risk adjusted for:
 - age/sex
 - area
 - contract mix
 - prescription drug utilization
- The risk-adjusted PMPMs were compared to the tier breakpoints.
- Targets were established for plans not initially qualifying for Tier 1.
- Credit for high quality as measured by Hedis and CAPS was awarded.
- Credit for Regular rate subsidization of Medicare rates was given.
- Final adjusted targets were communicated to the plans before the best and final bids.