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Farrow “It Seems to Me: Competitive Model Works for Wisconsin”

In the near future, the Wisconsin Group Insurance Board (GIB) will consider several options for the future of the State Group Health Program, which provides health care coverage for state and local public employees. While the stated goal of reducing cost is laudable, most of the strategies will miss their mark by destabilizing the most competitive health insurance market in the country. Wisconsin consumers deserve a more deliberate look at these proposals, and the effects on the rest of the insurance market.

Why is this so important? Because the current approach leveraged the competitive health insurance market to save \$283 million over nine years and to keep premium increases below national averages, according to state estimates.

While our organization, Group Health Cooperative of Eau Claire, covers a small number of the 250,000 public employees and their dependents (only 1,100), my primary concern is the adverse impact of GIB’s policy decisions on the rest of the insurance market. I have the dual, and unique, perspective of having also been an insurance regulator for the State of Wisconsin, and I recognize the fantastic results that 50 years of a balanced pro-consumer/pro-market regulatory philosophy have produced – results that are the envy of other states and should be a model for the rest of the country.

The GIB is considering shifting to options that would divide the state into artificial regions of coverage and/or self-fund benefits. Originally, the options were based on speculation that self-funding would lower the State’s benefits costs. However, as some predicted, initial proposals for self-funding now show no level of cost savings beyond that available in the current competitive model. And keeping the competitive model won’t add financial risk to the state and taxpayers or disrupt the market, which are the consequences of self-funding.

When I was an insurance regulator, I grew to appreciate the elements of Wisconsin’s insurance landscape that were instrumental in building the state’s viable, competitive market. Our competitive insurance market did not occur by accident. It was the result of decades of deliberate work and collaboration by elected officials, regulators, other state officials, consumer representatives and the industry. I am concerned that actions to eliminate the current competitive model for government employees would be an unfortunate step backwards and a costly mistake for Wisconsin.

When the current coverage model for State employees was developed in the 1980s, it was revolutionary. It was effective because policymakers recognized the opportunity for better coverage at a lower cost. And, it worked. It has continued to work, generating average increases less than half of normal insurance cost trends. What they didn’t expect years ago was the benefit it would have in making Wisconsin’s overall health insurance market much stronger and more competitive for all consumers. This public policy idea, implemented through free market principles, became a win for all consumers in the State.

One of the more disappointing proposals being considered would reduce the number of competing health plans and create artificial regionalization through state-defined service boundaries. Artificial boundaries may simplify the work of some state employees, but they will stifle competition, increase cost, and create the unintended consequence of the State picking winners and losers in the market. Who wants that? There

is plenty of evidence that artificial regionalization is a simplistic, bureaucratic response that will weaken Wisconsin's State Employee Health Insurance Program, and end up costing taxpayers more money.

We all win when markets are allowed to thrive and are free to organically adapt to match the needs of consumers and the ability of suppliers. That concept was imbedded in our insurance statutes when they were re-written fifty years ago, and it should remain a necessary goal today. The track record is clear. By every measure Wisconsin has the most competitive health insurance climate in the country with more competitors than most other states, low insurer administrative costs and profit margins, and high consumer satisfaction levels.

Let's not throw out a Wisconsin success story just to look like the rest of the country. Instead, let's tell our story of promoting competition, and let the country know we have the model others should adopt.

Pete Farrow is the CEO of Group Health Cooperative of Eau Claire. He was Assistant Deputy Insurance Commissioner in the Office of the Commissioner of Insurance from 1994 to 1999.