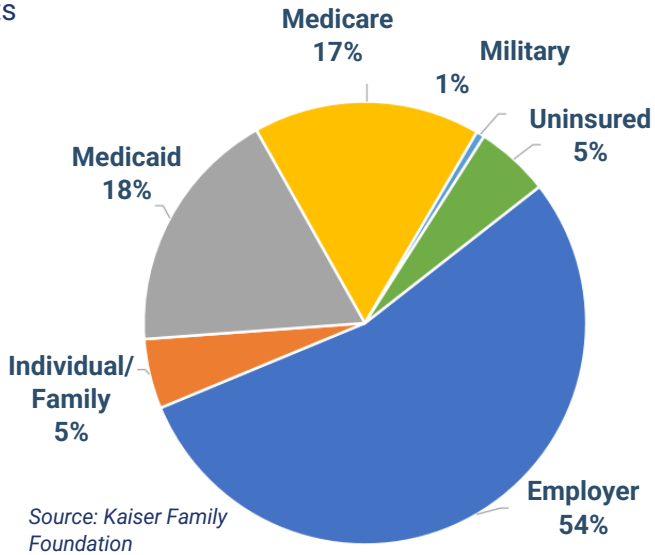
Commercial Health Plans 101

Wisconsin health plans provide comprehensive health care benefits and services to nearly **5.8 million** residents through public and private programs.

Sources of Coverage in Wisconsin (2023)

- **Employers** cover **3.1 million** workers and their families
- **Medicaid** covers more than **1.3 million** low-income children, seniors, adults, and people with disabilities
- **Medicare** covers **960,000** seniors (65+) and others who qualify
- **312,000 residents purchase coverage on their own**, either through the federal marketplace ("on-exchange") or through a broker or health plan ("off-exchange")
- **283,000 Wisconsinites are uninsured** (*10th lowest* uninsured rate in the country)

Distribution of Insurance Coverage in Wisconsin



Source: Kaiser Family Foundation

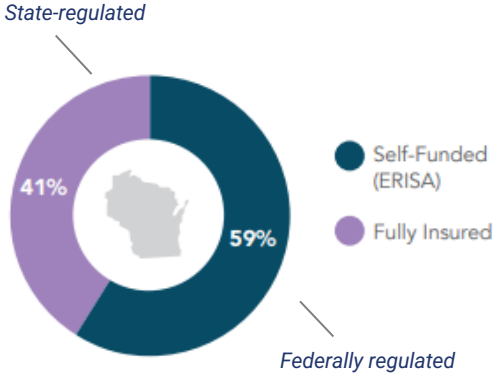
What Commercial Health Insurance Covers

Under federal law, health plans* must cover all eligible enrollees **regardless of preexisting conditions** and must cover **medically necessary care**, including the **10 essential health benefits.**

- Preventive services
- Emergency services
- Outpatient services
- Hospitalization
- Prescription drugs
- Laboratory and imaging services
- Maternity and newborn care
- Mental health and substance use disorder
- Rehabilitative and habilitative services
- Pediatric services, including dental/vision

Health plans also must cover **state-mandated benefits**, such as chiropractic, some costs for participating in clinical trials, TMJ, and some investigational drugs not approved by FDA. Mandates increase premiums for consumers and small businesses while **exempting** state employee, union health and welfare, and self-insured plans.

Employer Coverage, by Type



Source: AHIP

Wisconsin Office of the Commissioner of Insurance

⇒ Licenses and regulates commercial health insurers, including dental, vision, and long-term care insurance

⇒ Regulates individual market insurance

⇒ Regulates ***fully insured*** large and small group employer plans

⇒ Does not have authority over ***self-insured*** employer and union health and welfare plans, which are regulated at the federal level (and cannot be impacted by state legislation)

⇒ Monitors insurers' financial solvency

⇒ Reviews and responds to consumer complaints

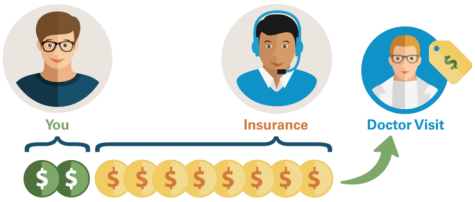
OCI received <950 health insurance-related complaints in 2023.

Alliance of Health Insurers (608) 258-9506 allianceofhealthinsurers.com 10 E Doty Street, Suite 500 Madison, WI 53703

COMMERCIAL HEALTH PLANS 101

Premiums and Cost-Sharing

Employers and individuals can choose the type of insurance that works best for them, with lower monthly premiums and higher out-of-pocket (OOP) costs or higher monthly premiums and **lower OOP costs.**



Premiums — monthly fees to cover costs for everyone in the insurance pool:

- Employers may *fully or partially* pay premiums for employees and their dependents
- Individuals/families pay premiums on their own; many receive **advance tax credits**
- Most seniors pay premiums for Medicare; low-income seniors may qualify for reduced premiums or Medicare *and* Medicaid ("**dual eligibles**")
- **80-85 cents** of every premium dollar must be spent on direct medical care (called the **medical loss ratio**, or **MLR**) - insurers are the only healthcare entity with capped profits
- 14 cents goes to taxes, fees, quality improvement, anti-fraud, waste and abuse, and overhead
- On average, **2.4 cents go to insurance profits**

Cost-sharing — also called out-of-pocket costs:

- **Co-pays** are fixed fees for services, such as doctor visits, ER visits, and prescriptions
- **Deductible** is the amount consumers pay before insurance "kicks in"
- **Coinsurance** is the percent of a negotiated rate insurance covers *after* deductible; e.g., insurance may cover 80% of hospitalization costs with the consumer paying 20% coinsurance
- **Out-of-pocket maximum (MOOP)** is the maximum combined cost-sharing during a plan year, after which insurance covers 100% of costs
- Cost-sharing may be different when consumers choose **out-of-network providers**

Health plans must cover certain **preventive services** — like check-ups, immunizations, and certain cancer screenings — at 100% with no cost-sharing. Some services and prescriptions require **prior authorization** (PA). PAs ensure members have access to **clinically appropriate** medical care that follows **evidence-based** guidelines. PAs protect consumers from **unsafe**, **duplicative**, or **inappropriate** services.

Health Insurance Products

Commercial health plans offer health maintenance organizations (**HMOs**), preferred provider plans/ organizations (**PPPs or PPOs**), exclusive provider organizations (**EPOs**), and point-of-service (**POS**) plans.

HMOs and PPOs/PPPs are the most common.

HMOs and PPOs can be offered as **high-deductible health plans (HDHPs)**. HDHPs often come with **health savings accounts (HSAs)** that allow individuals and employers to contribute pre-tax dollars to the HSA. Funds can be used for out-of-pocket costs and over-the-counter items.

Over 90% of physicians accept commercial insurance

Typical Features	HMOs	PPOs/PPPs
Premiums	Typically lower than PPOs	Typically higher than HMOs
Deductibles	Can be $0, low, or high	Often higher than HMOs
Cost-sharing	Co-pays more common	Coinsurance more common
Network size	Smaller than PPOs	Larger than HMOs
Primary care physician (PCP)	Members choose (or assigned to) a PCP	Members do not have to have a PCP
Referrals from PCP to see specialists	Required	Not required
In-network coverage	Must stay in-network (except in emergencies)	Lower costs for *preferred* providers/facilities
Out-of-network coverage	Not covered (except in emergencies)	*Non-preferred* providers/ facilities partially covered
Prescription drug formularies	Non-formulary drugs not covered (unless authorized)	Lower costs for *preferred* drugs; non-preferred drugs partially covered

**As used in this document, health plans refers to Affordable Care Act-compliant commercial plans and does not include grandfathered or transitional ("grandmothered") plans, association health plans, or short-term limited duration*

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