

### Fiscal Estimate - 2001 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>01-1952/3</b>	<b>Introduction Number</b> <b>AB-348</b>
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**Subject**  
 Require a competitive bidding process for administration of HIRSP

**Fiscal Effect**

**State:**

No State Fiscal Effect  
 Indeterminate  
      Increase Existing Appropriations     
  Increase Existing Revenues  
      Decrease Existing Appropriations     
  Decrease Existing Revenues  
      Create New Appropriations

Increase Costs - May be possible to absorb within agency's budget  
      Yes       No  
 Decrease Costs

**Local:**

No Local Government Costs  
 Indeterminate

1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<b>5. Types of Local Government Units Affected</b> <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
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<b>Fund Sources Affected</b>	<b>Affected Ch. 20 Appropriations</b>
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	

<b>Agency/Prepared By</b> DHFS/ Curtis Cunningham (608) 266-5362	<b>Authorized Signature</b> Freda Ellen Bove (608) 266-2907	<b>Date</b> 12/18/01
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## Fiscal Estimate Narratives

DHFS 12/18/01

LRB Number	01-1952/3	Introduction Number	AB-348	Estimate Type	Original
<b>Subject</b>					
Require a competitive bidding process for administration of HIRSP					

### Assumptions Used in Arriving at Fiscal Estimate

The Health Insurance Risk-Sharing Plan (HIRSP) provides major medical health insurance coverage to Wisconsin residents who, due to their medical conditions, are unable to find adequate health insurance coverage in the private market. After a GPR subsidy, the expenses of the plan are distributed 60% to policyholders, 20% to insurance companies and 20% to providers. Currently, the fiscal agent for the state's medical assistance (MA) program is required by statute to be the plan administrator. The HIRSP program is competitively bid as part of the MA fiscal agent contract.

Assembly Bill 348 changes current law to mandate that the HIRSP plan administrator be selected through a competitive request for proposal (RFP) process. It requires the HIRSP Board of Governors to establish an oversight committee to assist in the selection process. The committee must develop and recommend to the board the RFP, list the minimum specifications that the RFP must include, and then select three of the offers. After considering the recommendation of the committee, the board and DHFS must award the contract to the plan administrator who offers the best combination of price and technical expertise. The contract must have a three-year term with the first contract under the new selection process beginning on July 1, 2002.

Currently, HIRSP administrative costs compare favorably to other state high risk programs. In 1999, the HIRSP administrative cost represented 6% of total cost. This is consistent with the average of the other 29 states that run high risk programs and it is not likely that other state programs are as complex. Based on the SFY02 budget approved by the HIRSP board, total administrative expenses are budgeted at 5.7% of total plan costs. Although indeterminate, the fiscal impact of separating the HIRSP plan administrator from the state's MA fiscal agent could be significant. This cost would then be passed on to policyholders, insurance companies, and providers.

There are many savings that the Medicaid fiscal agent offers that an independent plan administrator may not be able to offer. Due to the large volume of work from the MA program, HIRSP currently receives a reduced hourly rate for computer programmers and analysts; overhead costs are lower since they are spread out over a larger program base, and the current plan administrator provides a HIRSP manager at no cost to the program. The Medicaid fiscal agent also has the ability to absorb peak work times at no cost to the HIRSP program.

Logistically and administratively there are also advantages to the current system. Since statutory provisions require HIRSP to utilize MA rates and other items, it may not be cost effective to separate the two programs. Currently, the plan administrator is responsible for smooth interface between HIRSP, the MMIS, and MEDS programs. By law the state is required to verify whether a HIRSP applicant is on Medicaid. Introducing another vendor into the interface would reduce accountability. There may also be a duplication of services between the Medicaid fiscal agent and a separate HIRSP plan administrator. Current law requires that HIRSP providers are certified by Medicaid and provider reimbursement levels are linked to Medicaid. Another vendor would need to create, update and maintain these provider and rate files, leading to duplicative costs for the state. A new procurement process could also stall program initiatives or requirements such as the case management pilot program or HIPAA compliance. Failure to implement the HIPAA requirements could lead to financial penalties.

It is also unlikely that the requirements of AB 348 could be implemented by July 1, 2002. It is estimated that this transition would take at least a year. It is not possible to develop a precise estimate of the cost of separating the HIRSP plan administrator from the Medicaid fiscal agent. However, for the reasons above, costs would be expected to increase.

### Long-Range Fiscal Implications