WISCONSIN STATE SENATE

Carol Roessler
STATE SENATOR

To: Members of the Senate Committee on Health, Children, Families, Aging and Long Term Care

From: Senator Carol Roessler, Chair

Date: August 6, 2003

Re: Clearinghouse Rule 03-048, relating to the operation of the health insurance risk-sharing plan (HIRSP).

CR 03-048 has been referred to the Senate Health, Children, Families, Aging and Long Term Care Committee.

Through this proposed rule the Department of Health and Family Services (DHFS) is amending ch. HFS 119 in order to update HIRSP premium rates in accordance with the authority and requirements set out in s. 149.143 (2) (a), Stats. DHFS is required to set premium rates by rule. HIRSP premium rates must be calculated in accordance with generally accepted actuarial principles. DHFS is also increasing total HIRSP insurer assessments and reducing provider payment rates, in accordance with the authority and requirements set out in s. 149-143 (2) (a) 3., and 4., Stats.

These proposed rules are identical to emergency rules issued by the Department that became effective July 1, 2003.

If you would like the committee to hold a hearing on CR 03-048, please contact Jennifer Halbur in my office at 266-5300 **by Tuesday August 26, 2003**. The committee has jurisdiction over this rule until Friday September 5, 2003.

CAPITOL ADDRESS: State Capitol • P.O. Box 7882, Madison, WI 53707-7882 • **PHONE:** 608-266-5300 • **FAX:** 608-266-0423
HOME: 1506 Jackson Street, Oshkosh, WI 54901 • **TOLL-FREE:** 1-888-736-8720
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State of Wisconsin
Department of Health and Family Services

Jim Doyle, Governor
Helene Nelson, Secretary

July 30, 2003

The Honorable Alan Lasee, President
Wisconsin State Senate
Room 219 South, State Capitol
Madison, WI 53702

The Honorable John Gard, Speaker
Wisconsin State Assembly
Room 215 West, State Capitol
Madison, WI 53702

Re: Clearinghouse Rule 03-048
HFS 119, relating to the operation of the health insurance risk-sharing plan (HIRSP).

Gentlemen:

In accordance with the provisions of s. 227.19 (2), Stats., you are hereby notified that the above-mentioned rules are in final draft form. This notice and the report required by s. 227.19 (3), Stats., are submitted herewith in triplicate.

The rules were submitted to the Legislative Council for review under s. 227.15, Stats. A copy of the Council's report is also enclosed.

If you have any questions about the rules, please contact Randy McElhose at 608-267-7127.

Sincerely,

Kenneth Munson
Deputy Secretary

cc Gary Poulson, Deputy Revisor of Statutes
Senator Joseph Leibham, JCRAR
Representative Glenn Grothman, JCRAR
Randy McElhose, DHFS-DHCF
Gary Radloff, Secretary's Office

PROPOSED ADMINISTRATIVE RULES – HFS 119
ANALYSIS FOR LEGISLATIVE STANDING COMMITTEES
PURSUANT TO S. 227.19(3), STATS.

Need for Rules

The State of Wisconsin in 1981 established a Health Insurance Risk-Sharing Plan (HIRSP) for the purpose of making health insurance coverage available to medically uninsured residents of the state. HIRSP offers different types of medical care coverage plans for residents. According to state law, HIRSP policyholder premium rates must fund sixty percent of plan costs. The remaining funding for HIRSP is to be provided by insurer assessments and adjustments to provider payment rates, in co-equal twenty percent amounts.

One type of medical coverage provided by HIRSP is the Major Medical Plan. This type of coverage is called Plan 1. Eighty-nine percent of the 16,445 HIRSP policies in effect in March 2003, were of the Plan 1 type. Plan 1 has Option A ($1,000 deductible) or Option B ($2,500 deductible). The rates for Plan 1 contained in this rulemaking order increase an average of 10.6% for policyholders not receiving a premium reduction. The average rate increase for policyholders receiving a premium reduction is 18.5%. Rate increases for individual policyholders within Plan 1 range from 5.4% to 20.9%, depending on a policyholder's age, gender, household income, deductible and zone of residence within Wisconsin. Plan 1 rate increases reflect general and industry-wide premium increases and take into account the increase in costs associated with Plan 1 claims.

A second type of medical coverage provided by HIRSP is for persons eligible for Medicare. This type of coverage is called Plan 2. Plan 2 has a $500 deductible. Eleven percent of the 16,445 HIRSP policies in effect in March 2003, were of the Plan 2 type. The rate increases for Plan 2 contained in this rulemaking order increase an average of 15.6% for policyholders not receiving a premium reduction. The average rate increase for policyholders receiving a premium reduction is 23.8%. Rate increases for individual policyholders within Plan 2 range from 9.9% to 26.5%, depending on a policyholder's age, gender, household income and zone of residence within Wisconsin. Plan 2 rate increases reflect general and industry-wide cost increases and take into account the increase in costs associated with Plan 2 claims. Plan 2 premiums are also set in accordance with the authority and requirements set out in s. 149.14 (5m), Stats.

The Department through this rulemaking order amends ch. HFS 119 in order to update HIRSP premium rates in accordance with the authority and requirements set out in s. 149.143 (2) (a), Stats. The Department is required to set premium rates by rule. HIRSP premium rates must be calculated in accordance with generally accepted actuarial principles.

The Department through this rulemaking order is also increasing total HIRSP insurer assessments and reducing provider payment rates, in accordance with the authority and requirements set out in s. 149.143 (2) (a) 3., and 4., Stats. With the approval of the HIRSP Board of Governors and as required by statute, the Department reconciled total costs for the HIRSP program for calendar year 2002. The Board of Governors approved a methodology that reconciles the most recent calendar year actual HIRSP program costs, policyholder premiums,

insurance assessments and health care provider contributions collected with the statutorily required funding formula.

By statute, the adjustments for the calendar year are to be applied to the next plan year budget beginning July 1, 2003. The total annual contribution to the HIRSP budget provided by an assessment on insurers is $35,444,109. The total annual contribution to the HIRSP budget provided by an adjustment to the provider payment rates is $39,170,353. On April 9, 2003, the HIRSP Board of Governors approved the calendar year 2002 reconciliation process. On May 19, 2003 the Board approved the HIRSP budget for the plan year July 1, 2003 through June 30, 2004.

Emergency rules were published on June 24, 2003, for a July 1, 2003 effective date. The proposed permanent rules closely resemble the emergency rules, but were clarified and modified in accordance with recommendations made by the Legislative Council's Rules Clearinghouse.

Responses to Clearinghouse Recommendations

All comments of the Legislative Council's Rules Clearinghouse were accepted.

Public Hearing

The Department held a public hearing in Madison on July 15, 2003 in order to receive comments from the public on both the HIRSP emergency rules and proposed permanent rules. No one attended the hearing in order to offer either verbal or written comments regarding the HIRSP rules. The final deadline for written comments was July 23, 2003. No oral or written comments or testimony regarding the rules was received by the Department.

Final Regulatory Flexibility Analysis

The rule changes will not affect small businesses as "small business" is defined in s. 227.114 (1) (a), Stats. Although the program statutes and rules provide for assessment of insurers to help finance the Health Insurance Risk—Sharing Plan (HIRSP), no assessed insurer is a small business as defined in s. 227.114 (1) (a), Stats. Moreover, s. 149.143, Stats., prescribes how the amount of an insurer's assessment to help finance HIRSP is to be determined.

Department of Health and Family Services
Health Insurance Risk-Sharing Plan (HIRSP)
Public Hearing and Written Comment Summary
Changes to Chapter HFS 119

One public hearing on both the HIRSP emergency rules and proposed permanent rules was held in Madison, WI on July 15, 2003.

Two staff of the Wisconsin Department of Health and Family Services were in attendance:

Randy McElhose, Planning Analyst,
Bureau of Fee-for-Service Health Care Benefits,
Division of Health Care Financing
David Beckfield, Planning Analyst,
Bureau of Managed Health Care Programs,
Division of Health Care Financing

No one attended the public hearing for the purpose of offering either verbal or written comments regarding the HIRSP administrative rules. The department kept the hearing record open for written comments until July 23, 2003. No comments regarding the HIRSP rules were received by the Department, in either oral or written form.

PROPOSED ORDER OF THE
DEPARTMENT OF HEALTH AND FAMILY SERVICES
AMENDING RULES

To amend HFS 119.07 (6) (b) to (d) and119.15 (2) and (3) relating to operation of the health insurance risk-sharing plan (HIRSP).

Analysis Prepared by the Department of Health and Family Services

The State of Wisconsin in 1981 established a Health Insurance Risk-Sharing Plan (HIRSP) for the purpose of making health insurance coverage available to medically uninsured residents of the state. HIRSP offers different types of medical care coverage plans for residents. According to state law, HIRSP policyholder premium rates must fund sixty percent of plan costs. The remaining funding for HIRSP is to be provided by insurer assessments and adjustments to provider payment rates, in co-equal twenty percent amounts.

One type of medical coverage provided by HIRSP is the Major Medical Plan. This type of coverage is called Plan 1. Eighty-nine percent of the 16,445 HIRSP policies in effect in March 2003, were of the Plan 1 type. Plan 1 has Option A ($1,000 deductible) or Option B ($2,500 deductible). The rates for Plan 1 contained in this rulemaking order increase an average of 10.6% for policyholders not receiving a premium reduction. The average rate increase for policyholders receiving a premium reduction is 18.5%. Rate increases for individual policyholders within Plan 1 range from 5.4% to 20.9%, depending on a policyholder's age, gender, household income, deductible and zone of residence within Wisconsin. Plan 1 rate increases reflect general and industry-wide premium increases and take into account the increase in costs associated with Plan 1 claims.

A second type of medical coverage provided by HIRSP is for persons eligible for Medicare. This type of coverage is called Plan 2. Plan 2 has a $500 deductible. Eleven percent of the 16,445 HIRSP policies in effect in March 2003, were of the Plan 2 type. The rate increases for Plan 2 contained in this rulemaking order increase an average of 15.6% for policyholders not receiving a premium reduction. The average rate increase for policyholders receiving a premium reduction is 23.8%. Rate increases for individual policyholders within Plan 2 range from 9.9% to 26.5%, depending on a policyholder's age, gender, household income and zone of residence within Wisconsin. Plan 2 rate increases reflect general and industry-wide cost increases and take into account the increase in costs associated with Plan 2 claims. Plan 2 premiums are also set in accordance with the authority and requirements set out in s. 149.14 (5m), Stats.

The Department through this rulemaking order amends ch. HFS 119 in order to update HIRSP premium rates in accordance with the authority and requirements set out in s. 149.143 (2) (a), Stats. The Department is required to set premium rates by rule. HIRSP premium rates must be calculated in accordance with generally accepted actuarial principles.

The Department through this rulemaking order is also increasing total HIRSP insurer assessments and reducing provider payment rates, in accordance with the authority and requirements set out in s. 149.143 (2) (a) 3., and 4., Stats. With the approval of the HIRSP Board of Governors and as required by statute, the Department reconciled total costs for the HIRSP program for calendar year 2002. The Board of Governors approved a methodology that reconciles the most recent calendar year actual HIRSP program costs, policyholder premiums, insurance assessments and health care provider contributions collected with the statutorily required funding formula.

By statute, the adjustments for the calendar year are to be applied to the next plan year budget beginning July 1, 2003. The total annual contribution to the HIRSP budget provided by an assessment on insurers is $35,444,109. The total annual contribution to the HIRSP budget provided by an adjustment to the provider payment rates is $39,170,353. On April 9, 2003, the HIRSP Board of Governors approved the calendar year 2002 reconciliation process. On May 19, 2003 the Board approved the HIRSP budget for the plan year July 1, 2003 through June 30, 2004.

These proposed rules are identical to emergency rules issued by the Department that became effective July 1, 2003.

The department's authority to amend these rules is found in ss. 149.143 (2) (a) 2., 3., and 4., and 227.11 (2) Stats. The rule interprets ss. 149.14 (5m), 149.142 and 149.143, 149.146, and 149.165, Stats.

ORDER

SECTION 1. HFS 119.07 (6) (b) to (d) are amended to read:

HFS 119.07 (6) (b) *Annual premiums for major medical plan policies with standard deductible*. The schedule of annual premiums beginning ~~July 1, 2002~~July 1, 2003, for persons not entitled to a premium reduction under s. 149.165, Stats., is as follows:

MAJOR MEDICAL PLAN – Males

Age Group	Zone 1	Zone 2	Zone 3
0-18	~~$2,088~~2,232	~~$1,872~~2,016	~~$1,680~~1,800
19-24	~~2,088~~2,232	~~1,872~~2,016	~~1,680~~1,800
25-29	~~2,184~~2,340	~~1,968~~2,100	~~1,752~~1,860
30-34	~~2,472~~2,640	~~2,220~~2,388	~~1,980~~2,112
35-39	~~2,868~~3,072	~~2,580~~2,772	~~2,292~~2,472
40-44	~~3,408~~3,660	~~3,060~~3,288	~~2,724~~2,928
45-49	~~4,308~~4,716	~~3,876~~4,248	~~3,444~~3,780
50-54	~~5,712~~6,312	~~5,136~~5,676	~~4,572~~5,052
55-59	~~7,560~~8,364	~~6,804~~7,524	~~6,048~~6,684
60+	~~9,612~~10,836	~~8,664~~9,744	~~7,692~~8,664

MAJOR MEDICAL PLAN – Females

Age Group	Zone 1	Zone 2	Zone 3
0-18	~~$2,088~~2,232	~~$1,872~~2,016	~~$1,680~~1,800
19-24	~~2,688~~2,844	~~2,412~~2,556	~~2,148~~2,268
25-29	~~2,952~~3,192	~~2,664~~2,868	~~2,364~~2,556
30-34	~~3,276~~3,528	~~2,940~~3,180	~~2,616~~2,820
35-39	~~3,744~~4,032	~~3,384~~3,624	~~3,012~~3,228
40-44	~~4,236~~4,584	~~3,804~~4,128	~~3,384~~3,684
45-49	~~4,932~~5,412	~~4,452~~4,872	~~3,948~~4,332
50-54	~~5,856~~6,480	~~5,280~~5,832	~~4,680~~5,196
55-59	~~6,864~~7,560	~~6,180~~6,804	~~5,496~~6,048
60+	~~8,016~~8,904	~~7,224~~8,016	~~6,408~~7,128

MEDICARE PLAN – Males

Age Group	Zone 1	Zone 2	Zone 3
0-18	~~$1,536~~1,716	~~$1,368~~1,548	~~$1,224~~1,380
19-24	~~1,536~~1,716	~~1,368~~1,548	~~1,224~~1,380
25-29	~~1,608~~1,776	~~1,440~~1,608	~~1,284~~1,428
30-34	~~1,800~~2,016	~~1,620~~1,836	~~1,440~~1,608
35-39	~~2,088~~2,352	~~1,896~~2,112	~~1,680~~1,884
40-44	~~2,484~~2,808	~~2,232~~2,520	~~1,980~~2,232
45-49	~~3,156~~3,612	~~2,832~~3,240	~~2,520~~2,892
50-54	~~4,176~~4,824	~~3,744~~4,332	~~3,348~~3,864
55-59	~~5,532~~6,396	~~4,992~~5,748	~~4,428~~5,112
60+	~~7,044~~8,280	~~6,336~~7,440	~~5,616~~6,624

MEDICARE PLAN – Females

Age Group	Zone 1	Zone 2	Zone 3
0-18	~~$1,536~~1,716	~~$1,368~~1,548	~~$1,224~~1,380
19-24	~~1,968~~2,172	~~1,764~~1,944	~~1,572~~1,728
25-29	~~2,160~~2,436	~~1,944~~2,196	~~1,728~~1,944
30-34	~~2,400~~2,700	~~2,148~~2,424	~~1,908~~2,148
35-39	~~2,736~~3,072	~~2,484~~2,772	~~2,196~~2,472
40-44	~~3,096~~3,516	~~2,772~~3,156	~~2,484~~2,808
45-49	~~3,600~~4,128	~~3,264~~3,732	~~2,880~~3,312
50-54	~~4,284~~4,956	~~3,852~~4,452	~~3,420~~3,960
55-59	~~5,028~~5,784	~~4,524~~5,208	~~4,020~~4,620
60+	~~5,868~~6,804	~~5,280~~6,132	~~4,680~~5,448

HFS 119.07 (6) (c) 1. The annual base rates for calculating premium reductions under s. HFS 119.12 that are applicable to standard risks under individual policies providing substantially the same coverage and deductibles as the plan's major medical plan are as follows beginning ~~July 1, 2002~~July 1, 2003:

MAJOR MEDICAL PLAN – Males
(Base for Reduced Rates)

Age Group	Zone 1	Zone 2	Zone 3
0-18	~~$1,392~~1,596	~~$1,248~~1,440	~~$1,116~~1,284
19-24	~~1,392~~1,596	~~1,248~~1,440	~~1,116~~1,284
25-29	~~1,452~~1,668	~~1,308~~1,500	~~1,164~~1,332
30-34	~~1,644~~1,884	~~1,476~~1,704	~~1,320~~1,512
35-39	~~1,908~~2,196	~~1,716~~1,980	~~1,524~~1,764
40-44	~~2,268~~2,616	~~2,040~~2,352	~~1,812~~2,088
45-49	~~2,868~~3,372	~~2,580~~3,036	~~2,292~~2,700
50-54	~~3,804~~4,512	~~3,420~~4,056	~~3,048~~3,612
55-59	~~5,040~~5,976	~~4,536~~5,376	~~4,032~~4,776
60+	~~6,408~~7,740	~~5,772~~6,960	~~5,124~~6,192

MAJOR MEDICAL PLAN – Females

(Base for Reduced Rates)

Age Group	Zone 1	Zone 2	Zone 3
0-18	~~$1,392~~1,596	~~$1,248~~1,440	~~$1,116~~1,284
19-24	~~1,788~~2,028	~~1,608~~1,824	~~1,428~~1,620
25-29	~~1,968~~2,280	~~1,776~~2,052	~~1,572~~1,824
30-34	~~2,184~~2,520	~~1,956~~2,268	~~1,740~~2,016
35-39	~~2,496~~2,880	~~2,256~~2,592	~~2,004~~2,304
40-44	~~2,820~~3,276	~~2,532~~2,952	~~2,256~~2,628
45-49	~~3,288~~3,864	~~2,964~~3,480	~~2,628~~3,096
50-54	~~3,900~~4,632	~~3,516~~4,164	~~3,120~~3,708
55-59	~~4,572~~5,400	~~4,116~~4,860	~~3,660~~4,320
60+	~~5,340~~6,360	~~4,812~~5,724	~~4,272~~5,088

HFS 119.07 (6) (c) 2. The annual base rates for calculating premium reductions under s. HFS 119.12 that are applicable to standard risks under individual policies providing substantially the same coverage and deductibles as the plan's medicare plan are as follows beginning ~~July 1, 2002~~July 1, 2003:

MEDICARE PLAN – Males
(Base for Reduced Rates)

Age Group	Zone 1	Zone 2	Zone 3
0-18	~~$1,020~~1,224	~~$912~~1,104	~~$816~~984
19-24	~~1,020~~1,224	~~912~~1,104	~~816~~984
25-29	~~1,068~~1,272	~~960~~1,152	~~852~~1,020
30-34	~~1,200~~1,440	~~1,080~~1,308	~~960~~1,152
35-39	~~1,392~~1,680	~~1,260~~1,512	~~1,116~~1,344
40-44	~~1,656~~2,004	~~1,488~~1,800	~~1,320~~1,596
45-49	~~2,100~~2,580	~~1,884~~2,316	~~1,680~~2,064
50-54	~~2,784~~3,444	~~2,496~~3,096	~~2,232~~2,760
55-59	~~3,684~~4,572	~~3,324~~4,104	~~2,952~~3,648
60+	~~4,692~~5,916	~~4,224~~5,316	~~3,744~~4,728

MEDICARE PLAN – Females
(Base for Reduced Rates)

Age Group	Zone 1	Zone 2	Zone 3
0-18	~~$1,020~~1,224	~~$912~~1,104	~~$816~~984
19-24	~~1,308~~1,548	~~1,176~~1,392	~~1,044~~1,236
25-29	~~1,440~~1,740	~~1,296~~1,572	~~1,152~~1,392
30-34	~~1,596~~1,932	~~1,428~~1,728	~~1,272~~1,536
35-39	~~1,824~~2,196	~~1,656~~1,980	~~1,464~~1,764
40-44	~~2,064~~2,508	~~1,848~~2,256	~~1,656~~2,004
45-49	~~2,400~~2,952	~~2,172~~2,664	~~1,920~~2,364
50-54	~~2,856~~3,540	~~2,568~~3,180	~~2,280~~2,832
55-59	~~3,348~~4,128	~~3,012~~3,720	~~2,676~~3,300
60+	~~3,912~~4,860	~~3,516~~4,380	~~3,120~~3,888

HFS 119.07 (6) (d) *Annual premiums for major medical plan policies with a $2,500 deductible*. In accordance with s. 149.146, Stats., an alternative plan of health insurance involving major medical expense coverage is established with a $2,500 deductible. After the policyholder satisfies the annual $2,500 deductible, HIRSP will pay 80% of the covered expenses for the next $5,000 of covered expenses. Policyholders are required to pay the remaining 20% as coinsurance, up to an annual individual maximum of $1,000. The annual maximum amount a family with 2 or more alternative plans will be required to pay for covered expenses is $7,000. The schedule of annual premiums for coverage under the alternative plan with a $2,500 deductible is as follows beginning ~~July 1, 2002~~July 1, 2003:

ALTERNATIVE MAJOR MEDICAL PLAN Males

Age Group	Zone 1	Zone 2	Zone 3
0-18	~~$1,500~~1,608	~~$1,344~~1,452	~~$1,212~~1,296
19-24	~~1,500~~1,608	~~1,344~~1,452	~~1,212~~1,296
25-29	~~1,572~~1,680	~~1,416~~1,512	~~1,260~~1,344
30-34	~~1,776~~1,896	~~1,596~~1,716	~~1,428~~1,524
35-39	~~2,064~~2,208	~~1,860~~1,992	~~1,656~~1,776
40-44	~~2,448~~2,640	~~2,208~~2,364	~~1,956~~2,112
45-49	~~3,096~~3,396	~~2,796~~3,060	~~2,484~~2,724
50-54	~~4,116~~4,548	~~3,696~~4,092	~~3,288~~3,636
55-59	~~5,448~~6,024	~~4,896~~5,412	~~4,356~~4,812
60+	~~6,924~~7,800	~~6,240~~7,020	~~5,544~~6,240

ALTERNATIVE MAJOR MEDICAL PLAN Females

Age Group	Zone 1	Zone 2	Zone 3
0-18	~~$1,500~~1,608	~~$1,344~~1,452	~~$1,212~~1,296
19-24	~~1,932~~2,052	~~1,740~~1,836	~~1,548~~1,632
25-29	~~2,124~~2,304	~~1,920~~2,064	~~1,704~~1,836
30-34	~~2,364~~2,544	~~2,112~~2,292	~~1,884~~2,028
35-39	~~2,700~~2,904	~~2,436~~2,604	~~2,172~~2,328
40-44	~~3,048~~3,300	~~2,736~~2,976	~~2,436~~2,652
45-49	~~3,552~~3,900	~~3,204~~3,504	~~2,844~~3,120
50-54	~~4,212~~4,668	~~3,804~~4,200	~~3,372~~3,744
55-59	~~4,944~~5,448	~~4,452~~4,896	~~3,960~~4,356
60+	~~5,772~~6,408	~~5,196~~5,772	~~4,608~~5,136

SECTION 2. HFS 119.15 (2) and (3) are amended to read:

(2) INSURER ASSESSMENTS. The insurer assessments for the time period ~~July 1, 2002 through June 30, 2003 total $26,003,305.~~ July 1, 2003 through June 30, 2004 total $35,444,109.

(3) PROVIDER PAYMENT RATES. The total adjustment to the provider payment rates for the time period ~~July 1, 2002 through June 30, 2003 is $24,750,178.~~ July 1, 2003 through June 30, 2004 is $39,170,353. HIRSP provider payment rates may not exceed charges. Payment rates for prescription drugs are set under s. 49.46 (2) (b) 6. h., Stats. Payment rates for hospital inpatient services utilize hospital-specific inpatient rates established under s. 49.46 (2) (b) 6. e., Stats., and HIRSP-specific weights for diagnostically related groups. Payment rates for hospital outpatient services may not exceed ~~59.93%~~58.85% of charges. Payment

rates for other professional services including physicians, labs and therapies are set under s. 49.46 (2) (b), Stats., including a ~~37.2%~~34.7% enhancement under s. 149.142 (1) (a), Stats.

The rules contained in this order shall take effect on the first day of the month following publication in the Wisconsin Administrative Register, as provided in s. 227.22 (2), Stats.

Wisconsin Department of Health and Family Services

Dated:

By: _____
Helene Nelson
Secretary

SEAL:

FISCAL ESTIMATE FORM 2003 Session

☒ ORIGINAL ☐ UPDATED ☐ CORRECTED ☐ SUPPLEMENTAL

LRB #

INTRODUCTION #

Admin. Rule # HFS 119.07(6) & HFS 119.15

Subject

HEALTH INSURANCE RISK-SHARING PLAN (HIRSP)

Fiscal Effect

State: ☒ No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation.

☐ Increase Existing Appropriation ☒ Increase Existing Revenues

☐ Decrease Existing Appropriation ☐ Decrease Existing Revenues

☐ Create New Appropriation

☐ Increase Costs - May be possible to Absorb Within Agency's Budget ☐ Yes ☐ No

☐ Decrease Costs

Local: ☒ No local government costs

1. ☐ Increase Costs ☐ Permissive ☐ Mandatory
2. ☐ Decrease Costs ☐ Permissive ☐ Mandatory
3. ☐ Increase Revenues ☐ Permissive ☐ Mandatory
4. ☐ Decrease Revenues ☐ Permissive ☐ Mandatory
5. Types of Local Governmental Units Affected: ☐ Towns ☐ Villages ☐ Cities ☐ Counties ☐ Others ____ ☐ School Districts ☐ WTCS Districts

Fund Sources Affected ☐ GPR ☐ FED ☐ PRO ☐ PRS ☒ SEG ☐ SEG-S

Affected Ch. 20 Appropriations 20.435 (4) (v)

Assumptions Used in Arriving at Fiscal Estimate:

The Health Insurance Risk-Sharing Plan (HIRSP) has the purpose of making health insurance coverage available to medically uninsured residents of the state. This order updates HIRSP premiums for policyholders effective July 1, 2003. It also adjusts total HIRSP insurer assessments and provider payment rates for the 12-month period beginning July 1, 2003. This adjustment process is being done in order to reflect changing HIRSP costs and a statute-specified calculation methodology, to offset program costs.

The fiscal adjustments contained in this order were developed by an independent actuarial firm, under contract to the Plan Administrator, on behalf of HIRSP. By statute, these adjustments include estimates for the annual reconciliation process, which is based prospectively on the previous calendar year and implemented in the subsequent plan year. The fiscal adjustments are based upon a combination of a retrospective reconciliation process, current HIRSP expenses, inflation trends in medical care and statutory requirements. The resulting adjustments are then applied to the time-period beginning July 1, 2003. Similar annual fiscal adjustments to the HIRSP rules have occurred each and every state fiscal year since 1998.

It is estimated that projected annual amount needed to fund HIRSP will increase by $59,413,694 in SFY 2004 as a result of the proposed changes contained in this order. This amount is comprised of an increase of $9,440,804 in insurer assessments, an increased adjustment (levy) of $14,420,175 regarding provider payment rates, and an increase of $35,552,715 in policyholder premiums. This increase in program revenues is expected to pay for an equal and offsetting increase in program expenditures for the payment of provided services. As a result, the overall net fiscal effect is projected to be zero.

These projected adjustments have been reviewed by DHFS staff and approved by the HIRSP Board of Governors. By law, the Board is a diverse body composed of consumers, insurers, health care providers, small business and other affected parties.

Long-Range Fiscal Implications:

Prepared By: / Phone # / Agency Name	Authorized Signature / Telephone No.	Date
DHFS/Randy McElhose, 267-7127	Kenneth Musser ~~Diane Welsh~~, 266-9622	6-6

FISCAL ESTIMATE WORKSHEET Detailed Estimate of Annual Fiscal Effect **2003 Session**

☐ ORIGINAL ☐ UPDATED
☐ CORRECTED ☐ SUPPLEMENTAL

LRB #

INTRODUCTION #

Admin. Rule # HFS 119.07(6) & HFS 119.15

Subject

HEALTH INSURANCE RISK-SHARING PLAN (HIRSP

I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

II. Annualized Costs:	**Annualized Fiscal impact on State funds from:**	
	Increased Costs	**Decreased Costs**
A. State Costs by Category State Operations - Salaries and Fringes	$	$ -
(FTE Position Changes)	(FTE)	(- FTE)
State Operations - Other Costs		-
Local Assistance		-
Aids to Individuals or Organizations		-
TOTAL State Costs by Category	$	$ -
B. State Costs by Source of Funds	**Increased Costs**	**Decreased Costs**
GPR	$	$ -
FED		-
PRO/PRS		-
SEG/SEG-S		-
State Revenues Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)	**Increased Rev.**	**Decreased Rev.**
GPR Taxes	$	$ -
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S		-
TOTAL State Revenues	$	$ -

NET ANNUALIZED FISCAL IMPACT

	STATE	LOCAL
NET CHANGE IN COSTS	$ See Narrative	$
NET CHANGE IN REVENUES	$ See Narrative	$

Prepared By: / Phone # / Agency Name	**Authorized Signature/Telephone No.**	**Date**
DHFS/Randy McElhose, 267-7127	Kenneth Nunsed ~~Diane Welsh,~~ 266-9622	6-6-03

WRITTEN TESTIMONY

Provided To

The Assembly Committee on Health

The Senate Committee on Health, Children, Families and Long Term Care

Relating To: **Clearinghouse Rule 03-048,**

FY 2004 HIRSP Premium Rate Increases, Insurer Assessments and Provider Rate Reductions to Fund the Health Insurance Risk Sharing Plan (HIRSP)

Schedule of HIRSP Premium Rate Increases to Support FY 2004 Policyholder Out-of-Pocket Premium and Premium Surplus Funding Budgeted at $96.4 Million

Insurer 2004 HIRSP Assessment Funding Set At $35.4 Million

Provider 2004 Rate Reduction Funding Budgeted at $39.2 Million

Reference: Proposed Order of the Department of Health and Family Services [CR 03-048] amending rules, to amend HFS 119.07 (6) (b) to (d) (intro.) and 119.15 (2) and (3) relating to operation of the Health Insurance Risk Sharing Plan (HIRSP).

Testimony of: Robert T. Wood
Corporate Vice President, Government Relations
Wisconsin Physicians Service Insurance Corporation (WPS)

Member, HIRSP Board of Governors

Submitted on: August 14, 2003

Introduction

My name is Robert Wood. I am Corporate Vice President of Government Relations for Wisconsin Physicians Service Insurance Corporation (WPS).

I have served on the Health Insurance Risk Sharing Plan (HIRSP) Board of Governors since December 1987.

I am submitting written testimony for information purposes only.

My testimony will provide information relating to:

The unprecedented growth of HIRSP enrollments and program costs over recent years;

The termination in the current biennium of all State general purpose revenue (GPR) funding for HIRSP operating and administrative costs, including funding for HIRSP premium and deductible

subsidy programs; and

The related cost burden imposed by the HIRSP program on Wisconsin citizens.

The HIRSP Budget for FY 2004 (July 1, 2003 - June 30, 2004).

Actual HIRSP program costs estimated for FY 2003 (July 1, 2002 - June 30, 2003).

The HIRSP Premium Rate Schedule and premium rate increases effective July 1, 2003.

Provisions of the emergency rule relating to assessments on insurers and withholding of revenues from providers that are required under statutes to fund projected FY 2004 HIRSP expenditures in excess of anticipated premium and premium and deductible subsidy revenues.

The current funding share credit/(debit) status of collections of policyholder premiums (including applicable premium and deductible subsidy amounts), of assessments levied against insurers, and of withholding of provider payments that are required under statutes to fund the HIRSP program.

Growth of HIRSP Enrollments and Costs

HIRSP enrollments have more than doubled over the last three calendar years, from 7,904 policyholders at year-end 1999 to 10,042 at year-end 2001, and to 15,882 at year-end 2002. In calendar year (CY) 2000 enrollments grew 27%, in CY 2001 they grew 26%, and in CY 2002 they grew 26%. This growth has continued unabated in CY 2003 to date, with total enrollments at 17,017 policyholders as of June 30, 2003.

The growth in HIRSP operating, administrative, and subsidy costs has been even more dramatic. When the HIRSP program was transferred to the Department of Health and Family Services in 1998, it was a $40 million program. Program costs were $43 million in CY 1998, $50 million in CY 1999, and $54 million in CY 2000. Over the last two calendar years, program costs have virtually doubled, to $76 million in CY 2001, and $105 million in CY 2002.

On a fiscal year basis, total operating expenses for fiscal year (FY) 2003 costs are reported at $116.1 million, plus an additional $3.9 million in premium and deductible subsidy cost.

The HIRSP budget adopted by the HIRSP Board of Governors in May 2003 projects operating and administrative costs in excess of $170 million for FY 2004. This represents a 46.6% increase in the HIRSP budget compared to actual FY 2003 expenditures.

Elimination of State Funding for HIRSP

The State general purpose revenue (GPR) funding share for HIRSP during FY 1999 through FY 2003 was not tied to growth in HIRSP program costs (as are policyholder, insurer, and provider funding shares), but was set as a sum certain appropriation in the State budget. The State GPR funding share for HIRSP was $12.7 million in FY 1999, $10.7 million in FY 2000, $12.7 million in FY 2001, $10.8 million in FY 2002, $10.2 million in FY 2003, and $0.0 in the current fiscal year.

State GPR funding represented approximately 28% of total HIRSP program costs in FY 1999, declined to 23% in FY 2000, to 18% in FY 2001, to 12% in FY 2002, reached a new low of 8.8% in FY 2003, and is totally eliminated in the 2003-2005 budget bill.

As the State GPR share of funding for HIRSP has declined since 1998 as a percent of total HIRSP program costs, increases in HIRSP enrollments and in operating, administrative and subsidy costs have become ever more burdensome on policyholders who must pay proportionately higher out-of-pocket premiums, on insurers who must pay proportionately higher assessments, and on providers who must accept proportionately higher rate reductions in HIRSP reimbursement for covered benefits.

HIRSP Cost Burden

The HIRSP Board is required by statute [s. 149.15 (2)] to report to the Legislature each year the total calendar year cost burden created by the shortfall between policyholder out-of-pocket premium payments and actual operating and administrative costs of the HIRSP program. The HIRSP Annual Report for CY 2002 is currently in final stages of production and review.

In CY 2002, HIRSP program costs were approximately $105 million, and policyholders paid approximately $55 million (52% of total cost) in out-of-pocket premium payments, leaving a CY 2002 shortfall of $50 million (48% of total cost).

HIRSP deficits through June 30, 2003, must be made up by State GPR , insurer and provider deficit funding shares, but are ultimately passed on to other insureds and other consumers of health care services throughout Wisconsin in the form of higher health insurance premium costs and higher health care costs.

This HIRSP cost burden was $26 million in CY 1998, $28 million in CY 1999, and $30 million in CY 2000. Over the last two calendar years, the HIRSP cost burden has increased by roughly $10 million in each year. In CY 2001 the HIRSP cost burden increased to $38.7 million, and in CY 2002 it increased to $50 million.

Based on costs reported for the first five months of CY 2003 and costs budgeted for the remainder of the calendar year, the HIRSP cost burden on Wisconsin citizens at year-end CY 2003 can be estimated at roughly $75 million.

If the HIRSP cost burden can be regarded as an indirect tax on health insurance premiums and on health care costs, which it is, this would be a 50% increase in the HIRSP "tax" in the current calendar year.

HIRSP Budget for FY 2004 (July 1, 2003 - June 30, 2004) = $176.7 Million

The Department of Health and Family Services and the HIRSP Board of Governors are charged with responsibility for determining and approving HIRSP premiums and premium rate increases, assessments on insurers, and reductions in provider payments required to fund HIRSP in compliance with Wisconsin statutes, and for preparing, approving and administering annual HIRSP budgets.

At the May 19, 2003 meeting of the HIRSP Board of Governors, the HIRSP Board approved a revised $176 million FY 2004 budget recommended by the Department of Health and Family Services and by the HIRSP Board's Committee on Financial Oversight for the period July 1, 2003 through June 30, 2004 with the

following breakdowns of expenditure and revenue projections:

FY 2004 HIRSP Expenditure Budget

Claims Expenses (net of deductible subsidies)	$165,982,914
Administrative Expenses	$5,360,772
Premium and Deductible Subsidy Costs	$5,354,660
Total Expenditures Budgeted for FY 2004	**$176,698,346**

FY 2004 HIRSP Revenue Budget

General Purpose Revenue (GPR) - Operating Costs	$0	
GPR - Premium and Deductible Subsidy Costs	$0	
State GPR Funding Share Subtotal		**$0**
Policyholder Full Premium 60% Funding Share	$95,080,006	
Policyholder Surplus Premium Fund	$6,678,398	
Premium and Deductible Subsidy Subtraction	($5,354,660)	
Policyholder Out-Of-Pocket Funding Subtotal		**$96,403,744**
		55.8%
Insurer Assessments for 20% Funding Share	$33,919,468	
Insurer CY 2002 Credit Subtraction	($1,152,689)	
Insurer Assessments for Subsidies	$2,677,330	
Insurer Funding Subtotal		**$35,444,109**
		20.5%
Provider Rate Reductions for 20% Funding Share	$33,919,468	
Provider CY 2002 Shortfall Addition	$2,573,555	
Provider Rate Reductions for Subsidies	$2,677,330	
Provider Funding Share Subtotal		**$39,170,353**
		22.7%

Bank Interest	$450,215	
Projected Drug Rebates	$1,296,132	
Miscellaneous Income Subtotal		**$1,746,347**
		1.0%
Total Revenues Budgeted for FY 2004	**$172,764,553**	**$172,764,553**

This is the largest fiscal year budget ever approved by the HIRSP Board of Governors. The increase in the FY 2004 budget compared to the FY 2003 budget is the largest single year increase in projected fiscal year costs ever experienced by the program. Even greater cost increases are expected in future years.

Actual HIRSP Expenditures (Estimated) for FY 2003 (July 1, 2002 - June 30, 2003) = $120.1 Million

The Department of Health and Family Services, and the HIRSP Board budgeted $118.1 million in claims, administration, and subsidy expense in FY 2003 (July 1,2002 - June 30, 2003). Actual FY 2003 costs came in $4 million over budget, at an estimated $120.1 million in claims, administration, and subsidy expense.

Actual FY 2003 HIRSP Expenditures (Estimated)

Claims Expenses (net of drug rebates)	$111,539,615
Administrative Expenses	$4,557,530
Premium and Deductible Subsidy Costs	$3,974,005
Total Estimated FY 2003 Actual Expenditures	**$120,071,150**

The FY 2004 HIRSP Premium Rate Schedule

Attachment A, herewith provides the HIRSP Premium Rate Schedule for FY 2004 which is promulgated in CR 03-048.

Attachment B, herewith, shows the actual monthly rate increase in the FY 2004 Premium Rate Schedule compared to the rates in effect in FY 2003.

FY 2004 Assessments on Insurers To Fund HIRSP

The larger share of the increasing cost burden of insurer assessments to fund HIRSP is increasingly born as an indirect tax on insurance premiums by those small employers in Wisconsin who provide their employees with insured health care benefits.

The number of insurers assessed every six months over the past three years has varied over that same period from 244 insurers in the first half of 2001 to 296 insurers in the second half of 2001. Thus, the burden of increased insurer assessments to fund HIRSP deficits is assessed on a relatively fixed number of insurers.

Assessments levied on insurers totaled $8.3 million in FY 1999, $6 million in FY 2000, $10 million in FY 2001, $19.6 million in FY 2002, and $26 million in FY 2003, and are budgeted at $35.4 million in FY 2004.

If HIRSP insurance assessments can be regarded as an indirect tax on other health insurance premiums, which they are, this is more than a four-fold tax increase over the last five fiscal years.

Because the burden of insurer assessments to fund HIRSP is allocated on the basis of an insurer's market share of business in Wisconsin, that burden is highly concentrated among a small number of highly ranked insurers. Assessments levied on the ten highest ranked insurers accounted for 52% of all insurer assessments levied in FY 2001, 57% of all insurer assessments levied in FY 2002, and 58.5% of all insurer assessments levied in FY 2003.

Total assessments levied on the ten highest ranked insurers were $4 million in FY 1999, $3 million in FY 2000, $5 million in FY 2001, $11 million in FY 2002, $15 million in FY 2003, and can be estimated at $21 million in FY 2004.

Thus, for these ten insurers in Wisconsin, HIRSP assessments more than doubled from FY 2001 to FY 2002, and will have doubled again from FY 2002 to FY 2004. For these ten insurers, assessments that averaged $400,000 five years ago will have increased five-fold over the last five fiscal years to more than $2 million per insurer in the current fiscal year.

Under CR 03-048, the Office of the Commissioner of Insurance will levy $35.4 million in assessments on insurers (compared to $26.4 million in FY 2003 - a 34.5 % increase) to pay statutory shares of HIRSP operating and administrative costs and to fund premium and deductible subsidies in FY 2004 (July 1, 2003 - June 30, 2004), as follows:

$32,766,779 in assessments for insurers' 20% funding share of operating and administrative costs, compared to $24,729,645 in FY 2003 - a 32.5% increase.

$2,667,330 in assessments for premium and deductible subsidy costs, compared to $1,625,834 in FY 2003 - a 64.7 % increase.

Any excess or shortfall of collection of insurance assessments in FY 2004 against statutory requirements will be reconciled in the CY 2003 Reconciliation for application of credits or debits under the FY 2005 Budget, or in the CY 2004 Reconciliation for application of credits or debits under the FY 2006 Budget.

FY 2004 Reduction of Provider Revenues to Fund HIRSP

Under CR 03-048, the Department of Health and Family Services will reduce in payments to providers by $39.2 million (compared to $26.2 million in reported payment reductions in FY 2003 - a 49.8 % increase) to pay statutory provider shares of HIRSP operating and administrative costs and to fund premium and deductible subsidies in FY 2004 (July 1, 2003 - June 30, 2004), as follows:

$36,493,023 in withholding of payments to providers to generate the providers' 20% funding share of operating and administrative costs, compared to an estimated $24,213,782 in payment reductions in FY 2003 - a 50.1 % increase.

$2,667,330 in assessments for premium and deductible subsidy costs, compared to $1,625,834 in FY 2003 - a 64.7 % increase.

Any excess or shortfall of withholding of provider revenues in FY 2004 against statutory requirements will be reconciled in the CY 2003 Reconciliation for application of credits or debits under the FY 2005 Budget, or in the CY 2004 Reconciliation for application of credits or debits under the FY 2006 Budget.

Estimated Policyholder Surplus Premium Current Balance as of June 30, 2004

As of June 30, 2003, the estimated current balance of the accumulated policyholder surplus premium to be accounted for under s. 149.143 (2m) was reported to be $10,418,274.

These funds are reserved, as provided for under s. 149.143 (2m), to offset future rate increases needed when premium rates set at 150% of a "standard risk" rate are insufficient to cover 60% of program costs, or for such other needs as may be approved by the HIRSP Board under s. 149.143 (2m) 2.

The HIRSP budget for FY 2004 (see above) allocates $6,678,398 of the $10,418,274 policy holder premium surplus to offset FY 2004 HIRSP premium rate increases.

Estimated Insurer Assessment Current Balance as of June 30, 2004

As of June 30, 2004, it is reported that the current balance in collection of assessments levied on insurers to fund HIRSP shows a surplus of $1,516,883.

Estimated Provider Withholding Current Balance as of June 30, 2004

As of June 30, 2004, it is reported that the current balance in reduction of payments to providers to fund HIRSP shows a shortfall of ($284,290).

This concludes my written testimony.

Attachment A

Health Insurance Risk Sharing Plan (HIRSP)

REVISED FY 2004 PREMIUM RATE SCHEDULE

Based on Milliman USA, Projection of Premium Rates and Budget, Appendix A, Pages 1 - 2, June 2, 2003 - As Approved by the HIRSP Board of Governors, May 19, 2003

PLAN 1A - STANDARD PLAN
FY 2004 (JULY 1, 2003 - JUNE 30, 2004)

MAJOR MEDICAL PLAN
(140% of Avg. Standard Risk Rate Approximated @ $3,372)

ANNUAL PREMIUM

AGE GROUP	MALES ZONE 1 EFFECTIVE JUL.01.2003	MALES ZONE 2 EFFECTIVE JUL.01.2003	MALES ZONE 3 EFFECTIVE JUL.01.2003
0-18	$2,232	$2,016	$1,800
19-24	$2,232	$2,016	$1,800
25-29	$2,340	$2,100	$1,860
30-34	$2,640	$2,388	$2,112
35-39	$3,072	$2,772	$2,472
40-44	$3,660	$3,288	$2,928
45-49	$4,716	$4,248	$3,780
50-54	$6,312	$5,676	$5,052
55-59	$8,364	$7,524	$6,684
60+	$10,836	$9,744	$8,664

AGE GROUP	FEMALES ZONE 1 EFFECTIVE JUL.01.2003	FEMALES ZONE 2 EFFECTIVE JUL.01.2003	FEMALES ZONE 3 EFFECTIVE JUL.01.2003
0-18	$2,232	$2,016	$1,800
19-24	$2,844	$2,556	$2,268
25-29	$3,192	$2,868	$2,556
30-34	$3,528	$3,180	$2,820
35-39	$4,032	$3,624	$3,228
40-44	$4,584	$4,128	$3,684
45-49	$5,412	$4,872	$4,332
50-54	$6,480	$5,832	$5,196
55-59	$7,560	$6,804	$6,048
60+	$8,904	$8,016	$7,128

REDUCED PREMIUM SUBSIDY BASE
(Average Standard Risk Rate Approximated @ $3,372)
(100% of Avg. Standard Risk Rate)

ANNUAL PREMIUM

MALES ZONE 1 EFFECTIVE JUL.01.2003	MALES ZONE 2 EFFECTIVE JUL.01.2003	MALES ZONE 3 EFFECTIVE JUL.01.2003
$1,596	$1,440	$1,284
$1,596	$1,440	$1,284
$1,668	$1,500	$1,332
$1,884	$1,704	$1,512
$2,196	$1,980	$1,764
$2,616	$2,352	$2,088
$3,372	$3,036	$2,700
$4,512	$4,056	$3,612
$5,976	$5,376	$4,776
$7,740	$6,960	$6,192

FEMALES ZONE 1 EFFECTIVE JUL.01.2003	FEMALES ZONE 2 EFFECTIVE JUL.01.2003	FEMALES ZONE 3 EFFECTIVE JUL.01.2003
$1,596	$1,440	$1,284
$2,028	$1,824	$1,620
$2,280	$2,052	$1,824
$2,520	$2,268	$2,016
$2,880	$2,592	$2,304
$3,276	$2,952	$2,628
$3,864	$3,480	$3,096
$4,632	$4,164	$3,708
$5,400	$4,860	$4,320
$6,360	$5,724	$5,088

PLAN 1B - HIGH DEDUCTIBLE PLAN
FY 2004 (JULY 1, 2003 - JUNE 30, 2004)

ALTERNATIVE MAJOR MEDICAL PLAN
(72% of Plan 1 Rate)
(100.8% of Avg. Standard Risk Rate)

ANNUAL PREMIUM

MALES ZONE 1 EFFECTIVE JUL.01.2003	MALES ZONE 2 EFFECTIVE JUL.01.2003	MALES ZONE 3 EFFECTIVE JUL.01.2003
$1,608	$1,452	$1,296
$1,608	$1,452	$1,296
$1,680	$1,512	$1,344
$1,896	$1,716	$1,524
$2,208	$1,992	$1,776
$2,640	$2,364	$2,112
$3,396	$3,060	$2,724
$4,548	$4,092	$3,636
$6,024	$5,412	$4,812
$7,800	$7,020	$6,240

FEMALES ZONE 1 EFFECTIVE JUL.01.2003	FEMALES ZONE 2 EFFECTIVE JUL.01.2003	FEMALES ZONE 3 EFFECTIVE JUL.01.2003
$1,608	$1,452	$1,296
$2,052	$1,836	$1,632
$2,304	$2,064	$1,836
$2,544	$2,292	$2,028
$2,904	$2,604	$2,328
$3,300	$2,976	$2,652
$3,900	$3,504	$3,120
$4,668	$4,200	$3,744
$5,448	$4,896	$4,356
$6,408	$5,772	$5,136

PLAN 2 - MEDICARE SUPPLEMENT PLAN
FY 2004 (JULY 1, 2003 - JUNE 30, 2004)

MEDICARE SUPPLEMENT PLAN
(76.5% of Plan 1A Rate)
(107% of Avg. Standard Risk Rate)

ANNUAL PREMIUM

AGE GROUP	MALES ZONE 1 EFFECTIVE JUL.01.2003	MALES ZONE 2 EFFECTIVE JUL.01.2003	MALES ZONE 3 EFFECTIVE JUL.01.2003
0-18	$1,716	$1,548	$1,380
19-24	$1,716	$1,548	$1,380
25-29	$1,776	$1,608	$1,428
30-34	$2,016	$1,836	$1,608
35-39	$2,352	$2,112	$1,884
40-44	$2,808	$2,520	$2,232
45-49	$3,612	$3,240	$2,892
50-54	$4,824	$4,332	$3,864
55-59	$6,396	$5,748	$5,112
60+	$8,280	$7,440	$6,624

AGE GROUP	FEMALES ZONE 1 EFFECTIVE JUL.01.2003	FEMALES ZONE 2 EFFECTIVE JUL.01.2003	FEMALES ZONE 3 EFFECTIVE JUL.01.2003
0-18	$1,716	$1,548	$1,380
19-24	$2,172	$1,944	$1,728
25-29	$2,436	$2,196	$1,944
30-34	$2,700	$2,424	$2,148
35-39	$3,072	$2,772	$2,472
40-44	$3,516	$3,156	$2,808
45-49	$4,128	$3,732	$3,312
50-54	$4,956	$4,452	$3,960
55-59	$5,784	$5,208	$4,620
60+	$6,804	$6,132	$5,448

REDUCED PREMIUM SUBSIDY BASE
(76.5% of Plan 1A Subsidy Base)
(76.5% of Avg. Standard Risk Rate)

ANNUAL PREMIUM

MALES ZONE 1 EFFECTIVE JUL.01.2003	MALES ZONE 2 EFFECTIVE JUL.01.2003	MALES ZONE 3 EFFECTIVE JUL.01.2003
$1,224	$1,104	$984
$1,224	$1,104	$984
$1,272	$1,152	$1,020
$1,440	$1,308	$1,152
$1,680	$1,512	$1,344
$2,004	$1,800	$1,596
$2,580	$2,316	$2,064
$3,444	$3,096	$2,760
$4,572	$4,104	$3,648
$5,916	$5,316	$4,728

FEMALES ZONE 1 EFFECTIVE JUL.01.2003	FEMALES ZONE 2 EFFECTIVE JUL.01.2003	FEMALES ZONE 3 EFFECTIVE JUL.01.2003
$1,224	$1,104	$984
$1,548	$1,392	$1,236
$1,740	$1,572	$1,392
$1,932	$1,728	$1,536
$2,196	$1,980	$1,764
$2,508	$2,256	$2,004
$2,952	$2,664	$2,364
$3,540	$3,180	$2,832
$4,128	$3,720	$3,300
$4,860	$4,380	$3,888

Rate Table - Full Premium Average Annual Premium	
Plan 1A - Male	$4,177.60
Plan 1A - Female	$4,390.80
Plan 1B - Male	$3,008.00
Plan 1B - Female	$3,162.00
Plan 2 - Male	$3,194.40
Plan 2 - Female	$3,355.60

Rate Table - Base Subsidy Premium Average Annual Premium	
Plan 1A - Male	$2,984.80
Plan 1A - Female	$3,136.00
Plan 2 - Male	$2,281.60
Plan 2 - Female	$2,396.80

13 Aug 2003

Health Insurance Risk Sharing Plan (HIRSP)

MONTHLY PREMIUM INCREASES NEEDED TO IMPLEMENT REVISED FY 2004 PREMIUM RATE SCHEDULE

Based on Milliman USA, Projection of Premium Rates and Budget, Appendix A, Pages 1 - 2, June 2, 2003 - As Approved by the HIRSP Board of Governors, May 19, 2003

PLAN 1A - STANDARD PLAN
FY 2004 (JULY 1, 2003 - JUNE 30, 2004)

MAJOR MEDICAL PLAN
(140% of Avg. Standard Risk Rate Approximated @ $3,372)

ANNUAL PREMIUM

AGE GROUP	MALES ZONE 1 EFFECTIVE JUL.01.2003	MALES ZONE 2 EFFECTIVE JUL.01.2003	MALES ZONE 3 EFFECTIVE JUL.01.2003
0-18	$12	$12	$10
19-24	$12	$12	$10
25-29	$13	$11	$9
30-34	$14	$14	$11
35-39	$17	$16	$15
40-44	$21	$19	$17
45-49	$34	$31	$28
50-54	$50	$45	$40
55-59	$67	$60	$53
60+	$102	$90	$81

AGE GROUP	FEMALES ZONE 1 EFFECTIVE JUL.01.2003	FEMALES ZONE 2 EFFECTIVE JUL.01.2003	FEMALES ZONE 3 EFFECTIVE JUL.01.2003
0-18	$12	$12	$10
19-24	$13	$12	$10
25-29	$20	$17	$16
30-34	$21	$20	$17
35-39	$24	$20	$18
40-44	$29	$27	$25
45-49	$40	$35	$32
50-54	$52	$46	$43
55-59	$58	$52	$48
60+	$74	$66	$60

REDUCED PREMIUM SUBSIDY BASE
(Average Standard Risk Rate Approximated @ $3,372)
(100% of Avg. Standard Risk Rate)

ANNUAL PREMIUM

MALES ZONE 1 EFFECTIVE JUL.01.2003	MALES ZONE 2 EFFECTIVE JUL.01.2003	MALES ZONE 3 EFFECTIVE JUL.01.2003
$17	$16	$14
$17	$16	$14
$18	$16	$14
$20	$19	$16
$24	$22	$20
$29	$26	$23
$42	$38	$34
$59	$53	$47
$78	$70	$62
$111	$99	$89

FEMALES ZONE 1 EFFECTIVE JUL.01.2003	FEMALES ZONE 2 EFFECTIVE JUL.01.2003	FEMALES ZONE 3 EFFECTIVE JUL.01.2003
$17	$16	$14
$20	$18	$16
$26	$23	$21
$28	$26	$23
$32	$28	$25
$38	$35	$31
$48	$43	$39
$61	$54	$49
$69	$62	$55
$85	$76	$68

PLAN 1B - HIGH DEDUCTIBLE PLAN
FY 2004 (JULY 1, 2003 - JUNE 30, 2004)

ALTERNATIVE MAJOR MEDICAL PLAN
(72% of Plan 1 Rate)
(100.8% of Avg. Standard Risk Rate)

ANNUAL PREMIUM

MALES ZONE 1 EFFECTIVE JUL.01.2003	MALES ZONE 2 EFFECTIVE JUL.01.2003	MALES ZONE 3 EFFECTIVE JUL.01.2003
$9	$9	$7
$9	$9	$7
$9	$8	$7
$10	$10	$8
$12	$11	$10
$16	$13	$13
$25	$22	$20
$36	$33	$29
$48	$43	$38
$73	$65	$58

FEMALES ZONE 1 EFFECTIVE JUL.01.2003	FEMALES ZONE 2 EFFECTIVE JUL.01.2003	FEMALES ZONE 3 EFFECTIVE JUL.01.2003
$9	$9	$7
$10	$8	$7
$15	$12	$11
$15	$15	$12
$17	$14	$13
$21	$20	$18
$29	$25	$23
$38	$33	$31
$42	$37	$33
$53	$48	$44

PLAN 2 - MEDICARE SUPPLEMENT PLAN
FY 2004 (JULY 1, 2003 - JUNE 30, 2004)

MEDICARE SUPPLEMENT PLAN
(76.5% of Plan 1A Rate)
(107% of Avg. Standard Risk Rate)

ANNUAL PREMIUM

AGE GROUP	MALES ZONE 1 EFFECTIVE JUL.01.2003	MALES ZONE 2 EFFECTIVE JUL.01.2003	MALES ZONE 3 EFFECTIVE JUL.01.2003
0-18	$15	$15	$13
19-24	$15	$15	$13
25-29	$14	$14	$12
30-34	$18	$18	$14
35-39	$22	$18	$17
40-44	$27	$24	$21
45-49	$38	$34	$31
50-54	$54	$49	$43
55-59	$72	$63	$57
60+	$103	$92	$84

AGE GROUP	FEMALES ZONE 1 EFFECTIVE JUL.01.2003	FEMALES ZONE 2 EFFECTIVE JUL.01.2003	FEMALES ZONE 3 EFFECTIVE JUL.01.2003
0-18	$15	$15	$13
19-24	$17	$15	$13
25-29	$23	$21	$18
30-34	$25	$23	$20
35-39	$28	$24	$23
40-44	$35	$32	$27
45-49	$44	$39	$36
50-54	$56	$50	$45
55-59	$63	$57	$50
60+	$78	$71	$64

REDUCED PREMIUM SUBSIDY BASE
(76.5% of Plan 1A Subsidy Base)
(76.5% of Avg. Standard Risk Rate)

ANNUAL PREMIUM

MALES ZONE 1 EFFECTIVE JUL.01.2003	MALES ZONE 2 EFFECTIVE JUL.01.2003	MALES ZONE 3 EFFECTIVE JUL.01.2003
$17	$16	$14
$17	$16	$14
$17	$16	$14
$20	$19	$16
$24	$21	$19
$29	$26	$23
$40	$36	$32
$58	$50	$44
$74	$65	$58
$102	$91	$80

FEMALES ZONE 1 EFFECTIVE JUL.01.2003	FEMALES ZONE 2 EFFECTIVE JUL.01.2003	FEMALES ZONE 3 EFFECTIVE JUL.01.2003
$17	$16	$14
$20	$18	$16
$25	$23	$20
$28	$25	$22
$31	$27	$25
$37	$34	$29
$46	$41	$37
$57	$51	$46
$65	$59	$52
$79	$72	$64

Rate Table - All Plans Average Monthly Increase	
All Plans - Aggregate	$32.29
All Plans - Male	$32.06
All Plans Female	$32.52

Rate Table - Full Premium Average Monthly Increase	
Plan 1A - Male	$30.87
Plan 1A - Female	$30.90
Plan 1B - Male	$22.23
Plan 1B - Female	$22.30
Plan 2 - Male	$34.17
Plan 2 - Female	$34.67

Rate Table - Base Subsidy Premium Average Monthly Increase	
Plan 1A - Male	$37.43
Plan 1A - Female	$38.20
Plan 2 - Male	$35.58
Plan 2 - Female	$36.53

13-Aug-2003

Assembly Committee on Health

Public Hearing

To Hear Testimony from Invited Speakers
Relating to: The Health Insurance Risk Sharing Plan (HIRSP)

Place: State Capitol, Room 417 North

Date & Time: July 22, 2003 — 10:00 p.m.

Testimony of: Robert T. Wood
Corporate Vice President, Government Relations
Wisconsin Physicians Service Insurance Corporation (WPS)

Member, HIRSP Board of Governors

Chairman Underheim, Members of the Committee:

My name is Robert Wood. I am Corporate Vice President of Government Relations for Wisconsin Physicians Service Insurance Corporation (WPS), one of Wisconsin's leading health insurers. I thank you for your invitation to present testimony on the operation of the Health Insurance Risk Sharing Plan (HIRSP).

My written responses as a member of the HIRSP Board of Governors to the questions you have forwarded to us for presentation to this Committee are attached herewith.

In my oral testimony, I will be speaking briefly to:

The unprecedented growth of HIRSP enrollments and program costs over recent years;

The termination in the current biennium of all State general purpose revenue (GPR) funding for HIRSP operating and administrative costs, including funding for HIRSP premium and deductible subsidy programs; and

The related cost burden imposed by the HIRSP program on Wisconsin citizens.

I will also be recommending that this Committee and the Legislature favorably consider legislation to:

Broaden the non-state funding base for HIRSP by bringing in drug manufacturers as new HIRSP funding partners, and amend insurance assessment methodology for stop-loss reinsurance carriers.

Restore competitive procurement of an independent HIRSP administrative services contract at least every three years, with the start work date of the first such contract to be not later than July 1, 2004, and establish a strong role for the HIRSP Board of Governors in the procurement process.

Restore HIRSP Board of Governors governance and authority over HIRSP program operations and administration.

Provide the HIRSP Board of Governors with rule making authority to revise plan design (e.g., benefits, deductibles, coinsurance, copayments).

Assembly Committee on Health
Informational Hearing
HIRSP Board of Governors Panel
July 22, 2003

Question 1 What issues do your respective constituencies have regarding the growth and cost of HIRSP?

Response of Robert T. Wood

Constituencies Represented

Four of the 13 members of the HIRSP Board of Governors are appointed to represent insurers. Of those four, two members are appointed to represent non-profit insurance corporations.

Since December 1987, I have served as one of the two members representing non-profit insurance corporations.

I have also served for a number of years as liaison on matters relating to HIRSP with the Wisconsin Association of Life and Health Insurers (WALHI).

To the extent than assessments on insurers to fund the HIRSP program can be regarded as an indirect tax on private sector health insurance premiums, which it is, I also speak on the HIRSP Board for those employers and individuals throughout the state who ultimately pay the HIRSP "tax" through higher health insurance premium costs.

Growth of HIRSP Enrollments and Costs

HIRSP enrollments have more than doubled over the last three calendar years, from 7,904 policyholders at year-end 1999 to 10,042 at year-end 2001, and to 15,882 at year-end 2002. In calendar year (CY) 2000 enrollments grew 27%, in CY 2001 they grew 26%, and in CY 2002 they grew 26%. This growth has continued unabated in CY 2003 to date, with total enrollments at 17,017 policyholders as of June 30, 2003.

The growth in HIRSP operating, administrative, and subsidy costs has been even more dramatic. When the HIRSP program was transferred to the Department of Health and Family Services in 1998, it was a $40 million program. Program costs were $43 million in CY 1998, $50 million in CY 1999, and $54 million in CY 2000. Over the last two calendar years, program costs have virtually doubled, to $76 million in CY 2001, and $105 million in CY 2002.

On a fiscal year basis, total operating expenses for fiscal year (FY) 2003 costs are reported at $116.1 million.

The HIRSP budget adopted by the HIRSP Board of Governors in May 2003 projects operating and administrative costs in excess of $170 million for FY 2004. This represents a 46.6% increase in the HIRSP budget compared to actual FY 2003 expenditures.

HIRSP Cost Burden

The HIRSP Board is required by statute [s. 149.15 (2)] to report to the Legislature each year the total calendar year cost burden created by the shortfall between policyholder out-of-pocket premium payments and actual operating and administrative costs of the HIRSP program. The HIRSP Annual Report for CY 2002 is currently in final stages of production and review.

In CY 2002, HIRSP program costs were approximately $105 million, and policyholders paid approximately $55 million (52% of total cost) in out-of-pocket premium payments, leaving a CY 2002 shortfall of $50 million (48% of total cost).

This shortfall, under current law, must be made up by State GPR, insurer and provider deficit funding shares, but is ultimately passed on to other insureds and other consumers of health care services throughout Wisconsin in the form of higher health insurance premium costs and health care costs.

The HIRSP cost burden was $26 million in CY 1998, $28 million in CY 1999, and $30 million in CY 2000. Over the last two calendar years, the HIRSP cost burden has increased by roughly $10 million in each year. In CY 2001 the HIRSP cost burden increased to $38.7 million, and in CY 2002 it increased to $50 million.

Based on costs reported for the first five months of CY 2003 and costs budgeted for the remainder of the calendar year, the HIRSP cost burden on Wisconsin citizens at year-end CY 2003 can be estimated at roughly $75 million.

If the HIRSP cost burden can be regarded as an indirect tax on health insurance premiums and on health care costs, which it is, this would be a 50% increase in the HIRSP "tax" in the current calendar year.

Assessments on Insurers

The larger share of the increasing cost burden of insurer assessments to fund HIRSP is increasingly born as an indirect tax on insurance premiums by those small employers in Wisconsin who provide their employees with insured health care benefits.

The number of insurers assessed every six months over the past three years has varied over that same period from 244 insurers in the first half of 2001 to 296 insurers in the second half of 2001. Thus, the burden of increased insurer assessments to fund HIRSP deficits is assessed on a relatively fixed number of insurers.

Assessments levied on insurers totaled $8.3 million in FY 1999, $6 million in FY 2000, $10 million in FY 2001, $19.6 million in FY 2002, and $26 million in FY 2003, and are budgeted at $36 million in FY 2004. If HIRSP insurance assessments can be regarded as an indirect tax on other health insurance premiums, which they are, this is more than a four-fold tax increase over the last five fiscal years.

Because the burden of insurer assessments to fund HIRSP is allocated on the basis of an insurer's market share of business in Wisconsin, that burden is highly concentrated among a small number of highly ranked insurers. Assessments levied on the ten highest ranked insurers accounted for 52% of all insurer assessments levied in FY 2001, 57% of all insurer assessments levied in FY 2002, and 58.5% of all insurer assessments levied in FY 2003.

Total assessments levied on the ten highest ranked insurers were $4 million in FY 1999, $3 million in FY 2000, $5 million in FY 2001, $11 million in FY 2002, $15 million in FY 2003, and can be estimated at $21 million in FY 2004.

Thus, for these ten insurers in Wisconsin, HIRSP assessments more than doubled from FY 2001 to FY 2002, and will have doubled again from FY 2002 to FY 2004. For these ten insurers, assessments that averaged $400,000 five years ago will have increased five-fold over the last five fiscal years to more than $2 million per insurer in the current fiscal year.

Elimination of State Funding for HIRSP

The State general purpose revenue (GPR) funding share for HIRSP during FY 1999 through FY 2003 was not tied to growth in HIRSP program costs (as are policyholder, insurer, and provider funding shares), but was set as a sum certain appropriation in the State budget. The State GPR funding share for HIRSP was $12.7 million in FY 1999, $10.7 million in FY 2000, $12.7 million in FY 2001, $10.8 million in FY 2002, $10.2 million in FY 2003, and is totally eliminated in the current biennium. State GPR funding represented approximately 28% of total HIRSP program costs in FY 1999, declined to 23% in FY 2000, to 18% in FY 2001, to 12% in FY 2002, and reached a new low of 8.8% in FY 2003.

As the State GPR share of funding for HIRSP has declined since 1998 as a percent of total HIRSP program costs, increases in HIRSP enrollments and in operating, administrative and subsidy costs have become ever more burdensome on policyholders who must pay proportionately higher out-of-pocket premiums, on insurers who must pay proportionately higher assessments, and on providers who must accept proportionately higher rate reductions in HIRSP reimbursement for covered benefits.

Insurer Recommendations for Changes to the HIRSP Program

Against the background of continuing unprecedented growth in HIRSP program enrollments and costs , and the transformation of the HIRSP program from a program with a once equitably balanced base of state GPR revenue funding to a program now entirely funded in the 2003-05 executive budget by non-state funding sources, insurer, provider and public members of the HIRSP Board of Governors have been meeting with other interested parties in the current legislative session to try to develop a broader consensus on recommendations for statutory changes to the HIRSP program.

These discussions, which are continuing, have focused on four general policy areas in which the various groups represented believe recommendations for statutory changes to the HIRSP program should be developed and adopted in order to help establish better management control over HIRSP program operating and administrative costs, and to help moderate the increasing cost burden which the HIRSP program imposes on taxpayers and on consumers of health care services throughout Wisconsin:

HIRSP Funding:

Broaden the non-state funding base for HIRSP by bringing in drug manufacturers as new HIRSP funding partners.

Re-examine HIRSP insurer assessment methodology with regard to stop-loss reinsurance carriers and possible application of the stop-loss reinsurer assessment methodology used by the Oregon high-risk pool.

Pursue all available options to obtain limited high-risk pool federal funding for HIRSP under Title II of the U.S. Trade Act of 2002.

HIRSP Administration:	Restore competitive procurement of an independent HIRSP administrative services contract at least every three years, with the start work date of the first such contract to be not later than July 1, 2004, and establish a strong role for the HIRSP Board of Governors in the procurement process.
HIRSP Board Governance Authority:	Restore HIRSP Board of Governors' governance authority over HIRSP program operations and administration.
HIRSP Plan Design:	Provide the HIRSP Board of Governors with rule making authority to revise plan design (e.g., benefits, deductibles, coinsurance, copayments).

HIRSP Board Recommendations for Changes to the HIRSP Program

The HIRSP statutes [s. 149.15 (2m)] require that, "Annually, beginning in 1999, the board shall submit a report on or before June 30 to the legislature under s. 13.172 (2) and to the governor on the operation of the plan, including any recommendations for changes to the plan."

The report by the Board and the recommendations for changes to HIRSP due under statute on or before June 30, 2003, has not yet been developed.

Proposed legislative changes to HIRSP were reviewed by the Board in April 2003. The Board may wish to revisit some of these issues in preparing the more formal report and recommendations for changes required under s. 149.15 (2m).

With regard specifically to the question of timely competitive procurement of a contract for HIRSP program administration, the nine members of the Board who are not state employees, and who represent the policyholders, insurers, and providers who now totally fund HIRSP, have recently restated their consensus that the Legislature should:

> Restore competitive procurement of an independent HIRSP administrative services contract at least every three years, with the start work date of the first such contract to be not later than July 1, 2004, and
>
> Establish a strong role for the HIRSP Board of Governors in the procurement process.

Related correspondence, to Governor Jim Doyle dated July 14, 2003, to this effect is provided herewith as Attachment A.

Assembly Committee on Health
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HIRSP Board of Governors Panel
July 22, 2003

Question 2. As costs continue to rise, what steps has the Board taken to apply market-based cost-control principles to the HIRSP population? What opportunities for efficiency and cost management are available, but not being used by the program?

Response of Robert T. Wood

Board Governance Authority

The HIRSP Board of Governors' Financial Oversight Committee reviews the development of fiscal year budgets, the reconciliation of calendar year funding shares, and the setting of HIRSP premium rates, requests information on related policies, problems or issues, and makes related recommendations to the Board.

However, when HIRSP was transferred to the Department of Health and Family Services in 1998, the HIRSP Board ceased to be a governing board except in name only, and became instead an advisory board with no real authority over HIRSP program policy, operations or administration.

For this reason, the HIRSP Board of Governors cannot of or by itself undertake any actions to apply market-based cost-control principles to the HIRSP population. The Board can advise the Department, but the Department is entirely free to accept in whole or in part, or reject or disregard Board advice.

HIRSP Plan Design

Equally important, HIRSP benefits and other plan design features are not market based. HIRSP plan design (e.g., benefits, deductibles, coinsurance, copayments) is fixed in statute and administrative rule. Although the State has now terminated all HIRSP funding so that the HIRSP program is now totally funded by policyholders, insurers and providers, HIRSP remains a government program.

Changes to plan design of market based plans are driven by market forces. Market based insurers regularly review and adjust plan design of the health insurance products they offer, including cost control features, in order to remain competitive in the marketplace, and can do so fairly rapidly. Changes to HIRSP plan design can take years to accomplish, and when changes to HIRSP are made, they are driven by politics, not markets.

The Department has rule making authority under ss. 149.14 (5) (d), 149.146 (2) (am) 4., and 149.17 (4) to promulgate changes in HIRSP deductibles, copayments, and coinsurance and to promulgate other cost containment provisions, including managed care provisions, but to date has not used this authority.

HIRSP Administrative Services Arrangements

There do not appear to be any incentives in existing HIRSP administrative services arrangements for the Department or the plan administrator to be concerned as HIRSP operating and administrative costs continue

to rise, or to do anything about it.

HIRSP administrative services are not provided under independent HIRSP contract(s) but are instead governed under Medicaid resource estimate arrangements.

It is not clear that these arrangements have always well served the HIRSP program.

For a number of years the HIRSP Board has been recommending competitive procurement of an independent contract for HIRSP administrative services as a necessary first step in establishing better management control over HIRSP program operating and administrative costs, and moderating the increasing cost burden which the HIRSP program imposes on taxpayers and on consumers of health care services throughout Wisconsin in the form of higher health insurance and health care costs.

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Question 3. What alternatives for funding or administering HIRSP should be considered by the Legislature?

Response of Robert T. Wood

The Legislature should consider legislation relating to A) HIRSP funding, B) HIRSP contract procurement, C) HIRSP Board governance authority and D) HIRSP plan design.

Statutory changes in public policy in these four subject areas will, I believe, help the HIRSP Board to establish better management control over HIRSP program operating and administrative costs and moderate the increasing cost burden which the HIRSP program imposes on taxpayers and on consumers of health care services throughout Wisconsin.

Specific recommendations for funding and administering HIRSP are as follows:

A. HIRSP Funding

Broaden the non-state funding base for HIRSP by enacting legislation to:

1. Bring in drug manufacturers as new HIRSP funding partners.

2. Bring in third party administrators or others as new HIRSP funding partners.

3. Amend the HIRSP assessment methodology currently used to assess s top-loss reinsurance carriers by applying the stop-loss reinsurer assessment methodology used by the Oregon high-risk pool, or a variation thereof.

4. Pursue all available options to obtain limited high-risk pool federal funding for HIRSP under Title II of the U.S. Trade Act of 2002.

By way of justification for bringing in drug manufacturers as new HIRSP funding partners, statutes provide that provider funding for HIRSP is generated by reducing provider reimbursements for HIRSP claims, except that under s. 149.142 (b) prescription drug claims are specifically exempted from rate reductions under ss. 149.143 and 149.144, which are the statutes governing provider rate reduction funding of HIRSP.

Prescription drug claims are the only HIRSP claims exempted from provider rate reduction funding of HIRSP.

HIRSP currently receives limited rebates from the HIRSP Pharmacy Benefit Manager (PBM.) The Department of Health and Family Services reports that in CY 2002 "HIRSP received $548,000 in rebate revenue." HIRSP Monthly Reports show net PBM prescription drug claims (each claim = 1

prescription) processed in CY 2002 at 551,952 prescriptions. Thus, HIRSP prescription drug rebates in CY 2002 averaged just under $1.00 per prescription, hardly enough to buy a cup of coffee these days.

HIRSP actuaries advise the HIRSP Board that prescription drug costs are budgeted in the current fiscal year at approximately 35% of the $170 million HIRSP budget, or about $60 million. This would mean that in the current fiscal year 35% of HIRSP claim costs (approximately $60 million) will be exempted from provider rate reduction funding of HIRSP. Bringing in drug manufacturers as new HIRSP funding partners would help to remedy this inequity.

B. HIRSP Contract Procurement

Restore competitive procurement of independent HIRSP administrative services contract(s) by enacting legislation to provide that:

1. HIRSP administrative services contracts shall be competitively procured at least every three years, with the start work date of the first such contract to be not later than July 1, 2004.

2. The HIRSP Board of Governors shall issue requests for proposals (RFPs), evaluate contract proposals, and award contracts for HIRSP administrative services.

3. Any contract for HIRSP administrative services [e.g., claims administration services, actuarial services, legal services, audit services, prescription benefit management (PBM) services] is a contract between the HIRSP Board of Governors and the contractor providing the administrative services.

Since the inception of the HIRSP program in 1980/81 and through 1997, HIRSP administrative services were provided through competitively procured independent contacts between the HIRSP Board of Governors and administrative services contractor(s). In 1998, when state agency jurisdiction over HIRSP was transferred from the Office of the Commissioner of Insurance to the Department of Health and Family Services and changes to statutes designated the Medicaid administrator as the HIRSP administrator, the Department decided not to enter into an independent contract for HIRSP administration.

As noted in the response to Question 2, above, HIRSP administrative services are not provided under HIRSP contract(s) but are instead governed under Medicaid resource estimate arrangements, and it is not clear that these arrangements have always well served the HIRSP program.

For a number of years, the HIRSP Board of Governors has been recommending competitive procurement of an independent contract for HIRSP administrative services as a necessary first step in establishing better management control over HIRSP program operating and administrative costs, and moderating the increasing cost burden which the HIRSP program imposes on taxpayers and on consumers of health care services throughout Wisconsin in the form of higher health insurance and health care costs.

At the HIRSP Board of Governors meeting on April 24, 2003, the Board voted to endorse legislation that provides authority for the HIRSP Board of Governors to issue requests for proposals (RFPs), evaluate contract proposals, and award contracts for HIRSP administrative and professional services, and that provides that any contract for HIRSP administrative and professional services is a contract between the HIRSP Board of Governors and the contractor providing the administrative services.

Non-statutory provisions of the 2003-05 budget bill relating to HIRSP contact procurement require the Department of Health and Family Services to submit a Request for Proposal (RFP) for competitive procurement of a contract for HIRSP administration to the Co-Chairs of the Joint Committee on Finance for review by the Committee not later than six months after the effective date of the 2003-05 Executive Budget. [Senate Substitute Amendment 1 to 2003 Senate Bill 44 (LRBs0107/1), June 16, 2003, Nonstatutory Provisions: Department of Health and Family Services, Section 9124 (10h), page 1071.]

Attachment A provides a copy of correspondence from nine of the twelve members of the HIRSP Board of Governors recommending that Governor Doyle make no veto to change or remove the referenced non-statutory provisions of the Budget Bill relating to HIRSP contact procurement.

C. HIRSP Board Governance Authority

Give the HIRSP Board of Governors the authority it needs to establish better management control over HIRSP program operating and administrative costs, and to moderate the increasing cost burden which the HIRSP program imposes on taxpayers and on consumers of health care services throughout Wisconsin by enacting legislation to:

1. Provide the HIRSP Board of Governors with full governing authority over HIRSP program operations and administration.

HIRSP operated "subject to the supervision and approval of" the HIRSP Board of Governors from 1980-1997 when HIRSP was under the jurisdiction of the Office of the Commissioner of Insurance.

When HIRSP was transferred to the Department of Health and Family Services in 1998, the Board ceased to be a governing board, and became instead an advisory board with no real authority over HIRSP operations or administration.

At the HIRSP Board of Governors meeting on April 24, 2003, the Board voted to "endorse legislation to restore the governing authority of the HIRSP Board so that HIRSP operates 'subject to the supervision and approval of' the HIRSP Board of Governors with regard to HIRSP program operations and administration."

A number of members of the HIRSP Board who represent the policyholders, insurers, and providers who now totally fund HIRSP feel more strongly that because the State has now withdrawn all funding for the HIRSP program, the HIRSP Board should be given full authority over HIRSP program operations and administration.

D. HIRSP Plan Design

Give the HIRSP Board of Governors the better management control it needs to review and amend HIRSP benefits, deductibles and copayments by enacting legislation to:

1. Remove plan benefit design (e.g., benefits, deductibles, coinsurance, copayments) from statutes, recreate existing plan design under administrative rule, and provide the HIRSP Board of Governors with rule making authority to amend plan design, as needed.

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Question 4. What obstacles/challenges does the Board face in trying to govern the program and control its cost?

Response of Robert T. Wood

The central challenge the Board faces in trying to govern the program and control its cost is that when HIRSP was transferred to the Department of Health and Family Services in 1998, the Board ceased to be a governing board except in name only, and became instead an advisory board with no real authority over HIRSP program policy, operations or administration.

An important obstacle the Board faces in trying to govern the program and control its cost, as noted in the response to Question 2, above, is that there do not appear to be any incentives in existing HIRSP administrative services arrangements for the Department or the plan administrator to be concerned as HIRSP operating and administrative costs continue to rise, or to do anything about it.

Equally important, while the Board and the Board committees that do much of the work of the Board have established good working relationships with the Department of Health and Family Services, it is sometimes painfully difficult to obtain needed information, or timely response to requested action.

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Question 5. How does the Board's authority to oversee the program compare with similar programs in other states?

Response of Robert T. Wood

After a preliminary search of internet sites providing information on high-risk pools in other states, I am unable to locate any information on high-risk pool governance structures and authority in other states.

As noted above, from the inception of the HIRSP program and for the next 17 years, when HIRSP was under the jurisdiction of the Office of the Commissioner of Insurance, the HIRSP Board of Governors operated as an actual governing board with actual supervisory oversight and approval authority over HIRSP operations and administration.

It was only when HIRSP was transferred to the Department of Health and Family Services in 1998, that the Board ceased to be a governing board except in name only, and became instead an advisory board with no real authority over HIRSP program operations or administration.

Absent information about governance of high-risk pools in other states, Wisconsin has had historical high-risk pool experience with both a strong high-risk pool governance structure (1980-1997), and a weak high-risk pool governance structure (1998 to date).

Particularly in light of the termination of all public revenue funding for the HIRSP program, a number of members of the HIRSP Board representing the policyholders, insurers, and providers who now totally fund HIRSP strongly believe that it is long past time to return to the stronger Wisconsin high-risk pool governance model, and give the HIRSP Board full authority over HIRSP program operations and administration in order to establish better management control over HIRSP program operating and administrative costs, and moderate the increasing cost burden which the HIRSP program imposes on Wisconsin citizens.

Attachment A

July 14, 2003

HIRSP BOARD MEMORANDUM

FROM: Insurer, Provider and Public Members of the HIRSP Board of Governors

TO: The Honorable Jim Doyle, Governor, State of Wisconsin

cc: The Honorable Helene Nelson, Secretary, Department of Health and Family Services
The Honorable Mark B. Moody, Administrator, Division of Health Care Financing
The Honorable Marc Marotta, Secretary, Department of Administration
The Honorable David Riemer, Administrator, Division of Executive Budget and Finance

SUBJECT: The Governor's 2003-05 Executive Budget

Senate Substitute Amendment 1 to 2003 Senate Bill 44 [LRBs0107/1], June 16, 2003
Nonstatutory Provisions: Department of Health and Family Services
SECTION 9124 (10h), page 1071, relating to HIRSP contract procurement

The below-named insurer, provider and public members of the Board of Governors of the Health Insurance Risk-Sharing Plan (HIRSP) are writing to respectfully recommend that you make ***no*** veto to change or remove the referenced non-statutory provisions of the Budget Bill relating to HIRSP contact procurement.

These provisions require the Department of Health and Family Services to submit a Request for Proposal (RFP) for competitive procurement of a contract for HIRSP administration to the co-chairs of the Joint Committee on Finance for review by the Committee not later than six months after the effective date of the 2003-05 executive budget. [Attachment A, herewith, reproduces the full text of the Section 9124 (10h) provisions.]

We make our recommendation that these provisions be preserved against the background of the continuing unprecedented growth of HIRSP program enrollments and costs over the past four years, and the transformation of the HIRSP program from a program with a once equitably balanced base of state GPR revenue funding to a program now entirely funded in the 2003-05 executive budget by non-state funding sources, which is expected to cost in excess of $170 million in the first year of the biennium alone.

We believe, and have long urged the Department of Health and Family Services, that competitive procurement of a new contract for HIRSP administrative services is a necessary first step in establishing better management control over HIRSP program operating and administrative costs, and in moderating the increasing cost burden which the HIRSP program imposes on taxpayers and on consumers of health care services throughout Wisconsin in the form of higher health insurance and health care costs — a cost burden estimated in excess of $75 million in FY 2004.

The HIRSP Board of Governors has had considerable past experience with competitive procurement of HIRSP administrative contracts prior to the transfer of HIRSP from the Office of the Commissioner of Insurance to the Department of Health and Family Services in 1998. Based on the Board's past experience, we believe that an RFP for HIRSP administration can be developed and approved well within the six month time frame specified in Section 9124 (10h), and that competitive proposals can be timely solicited and evaluated, and a contract awarded for a start work date not later than July 1, 2004.

We look forward to working closely with Secretary Nelson and her staff at the Department to accomplish these objectives.

Respectfully concurred in by:

Mr. Bill Felsing
United Health Care of Wisconsin, Inc.
Member, HIRSP Board of Governors

Ms. Dianne Greenley
Wisconsin Coalition for Advocacy
Member, HIRSP Board of Governors

Mr. Claire Johnson
Group Health Cooperative of Eau Claire
Member, HIRSP Board of Governors
Chair, HIRSP Financial Oversight Committee

Mr. Richard A. Leer, M.D.
Marshfield Clinic
Member, HIRSP Board of Governors

Mr. George Quinn
Wisconsin Health & Hospital Association
Member, HIRSP Board of Governors
Chair, HIRSP Actuarial Advisory Committee

Mr. Bill G. Smith
National Federation of Independent Business
Member, HIRSP Board of Governors

Ms. Annette L. Stebbins
HIRSP Policyholder
Member, HIRSP Board of Governors
Chair, HIRSP Consumer Affairs Committee

Mr. Robert T. Wood
Wisconsin Physicians Service Insurance Corporation
Member, HIRSP Board of Governors
Chair, HIRSP Legislative Committee

Mr. Larry Zanoni
Group Health Cooperative of South Central Wisconsin
Member, HIRSP Board of Governors

Attachment A

Senate Substitute Amendment 1 to 2003 Senate Bill 44

[LRBs0107/1] June 16, 2003

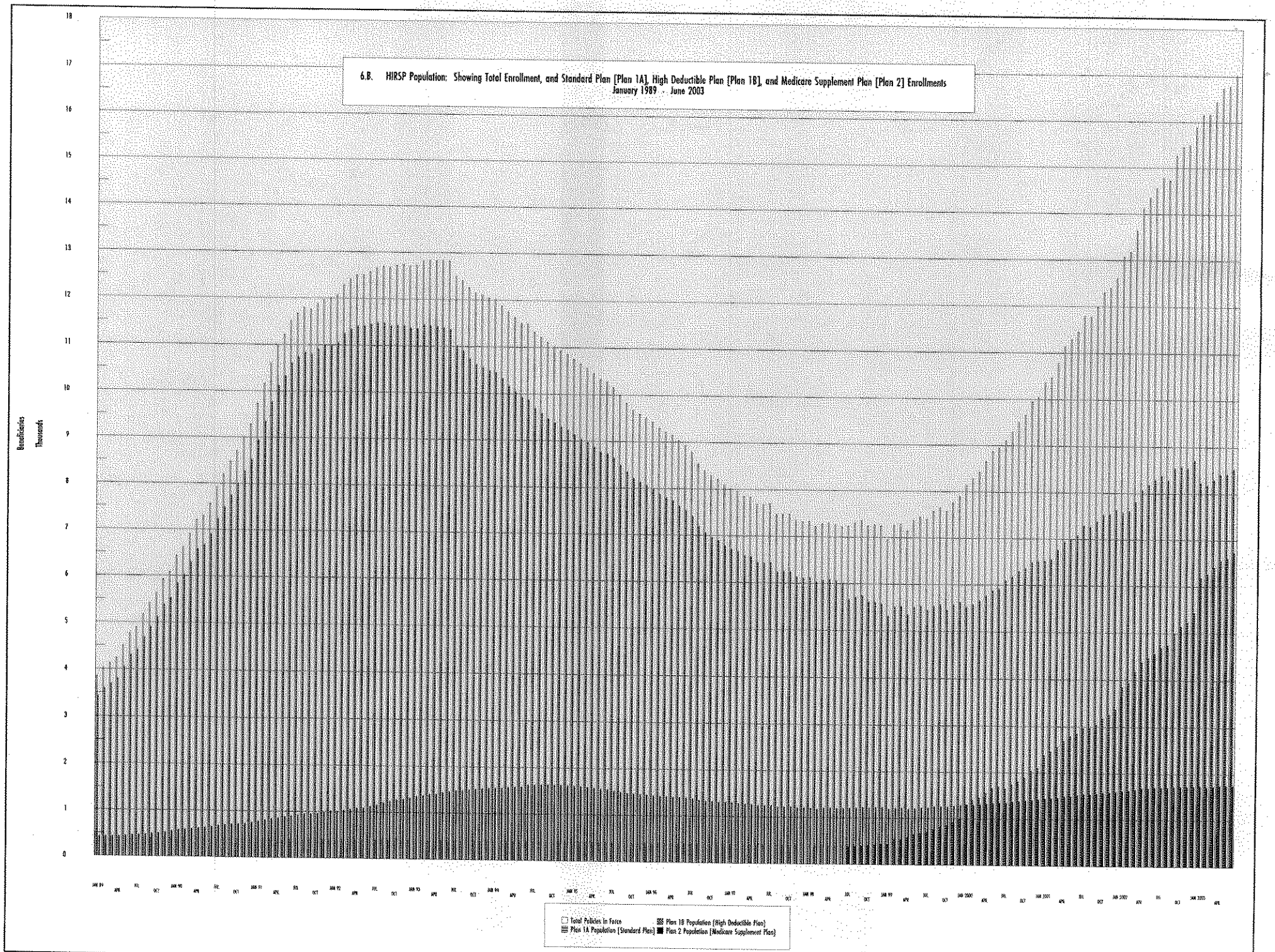
Nonstatutory Provisions: Department of Health and Family Services

SECTION 9124 (10h), p. 1071, relating to HIRSP contract procurement

REQUEST FOR PROPOSALS FOR PLAN ADMINISTRATOR. Not later than the first day of the 7th month beginning after the effective date of this subsection, the department of health and family services shall have prepared, and shall submit to the cochairpersons of the joint committee on finance, a request for proposals for administration of the Health Insurance Risk–Sharing Plan. If the cochairpersons of the joint committee on finance do not notify the secretary of health and family services within 14 working days after receiving the request for proposals that the cochairpersons have scheduled a meeting for the purpose of reviewing the request for proposals, the department of health and family services may issue the request for proposals. If within 14 working days after receiving the request for proposals the cochairpersons notify the secretary of health and family services that the cochairpersons have scheduled a meeting for the purpose of reviewing the request for proposals, the department of health and family services may issue the request for proposals only upon approval of the committee.

Charts and Data

Health Insurance Risk-Sharing Plan (HIRSP)


6.B. HIRSP Population: Showing Total Enrollment, and Standard Plan [Plan 1A], High Deductible Plan [Plan 1B], and Medicare Supplement Plan [Plan 2] Enrollments
January 1989 - June 2003
Beneficiaries
Thousands
18
17
16
15
14
13
12
11
10
9
8
7
6
5
4
3
2
1
0
Total Policies in Force
Plan 1A Population (Standard Plan)
Plan 1B Population (High Deductible Plan)
Plan 2 Population (Medicare Supplement Plan)

6.A. HIRSP Population

June 30, 2003

TOTAL POLICIES IN FORCE

SORTED BY GENDER AND AGE GROUP WITHIN RATING ZONES

TOTAL	17,017

Total HIRSP

	Plan 1A		Plan 1B		Plan 2		Subtotal		Grand			
	Male	Female	Male	Female	Male	Female	Male	Female	Total			
0 - 19		169		66		0		235	235	1.4%	100.0%	1.4%
0 - 24	421		157		4		582		582	3.4%	98.6%	4.6%
19 - 24		194		46		3		243	243	1.4%	95.2%	6.2%
25 - 29	171	179	34	32	10	7	215	218	433	2.5%	93.8%	8.8%
30 - 34	194	196	56	63	16	11	266	270	536	3.1%	91.2%	11.9%
35 - 39	301	256	118	104	47	36	466	396	864	5.1%	88.1%	17.0%
40 - 44	429	358	220	246	79	63	728	667	1,395	8.2%	83.0%	25.2%
45 - 49	526	543	296	343	128	105	936	991	1,927	11.3%	74.8%	36.5%
50 - 54	554	712	476	502	119	141	1,149	1,355	2,504	14.7%	63.5%	51.2%
55 - 59	526	936	686	821	115	161	1,327	1,920	3,247	19.1%	48.8%	70.3%
60 - 64	646	1,812	1,063	1,391	118	196	1,727	2,899	4,626	27.2%	29.7%	97.5%
65 +	4	7	0	9	121	284	125	300	425	2.5%	2.5%	100.0%
	3,686	4,866	3,106	3,623	749	1,007	7,521	9,496	17,017			
	43.0%	57.0%	46.2%	53.8%	42.7%	57.3%	44.2%	55.8%		100.0%		

Plan 1A =	8,532	Plan 1B =	6,729	Plan 2 =	1,756	Total =	17,017
	50.1%		39.5%		10.3%		

Net Population Increase Since December 31, 1999

2,907	5,742	464	9,113
31.9%	63.0%	5.1%	115.3%

HIRSP Full Premium and Subsidy Population

	Plan 1A		Plan 1B		Plan 2		Subtotal	
	Full Premium	Subsidy	Full Premium	Subsidy	Full Premium	Subsidy	Full Premium	Subsidy
Zone 1	381	312	445		88	116	914	430
Zone 2	1,562	799	1,971		272	238	3,805	1,037
Zone 3	3,520	1,958	4,313		562	478	8,395	2,436
	5,463	3,069	6,729		922	834	13,114	3,903
		36.0%				47.5%		22.9%

Plan 1A =	8,532	Plan 1B =	6,729	Plan 2 =	1,756	Total =	17,017

Subsidy Population

	Individuals Receiving Subsidy	Household Income Less Than
Level 4	1,383	$10,000
Level 3	752	$14,000
Level 2	603	$17,000
Level 1	588	$20,000
Level 5	577	$25,000

3,903

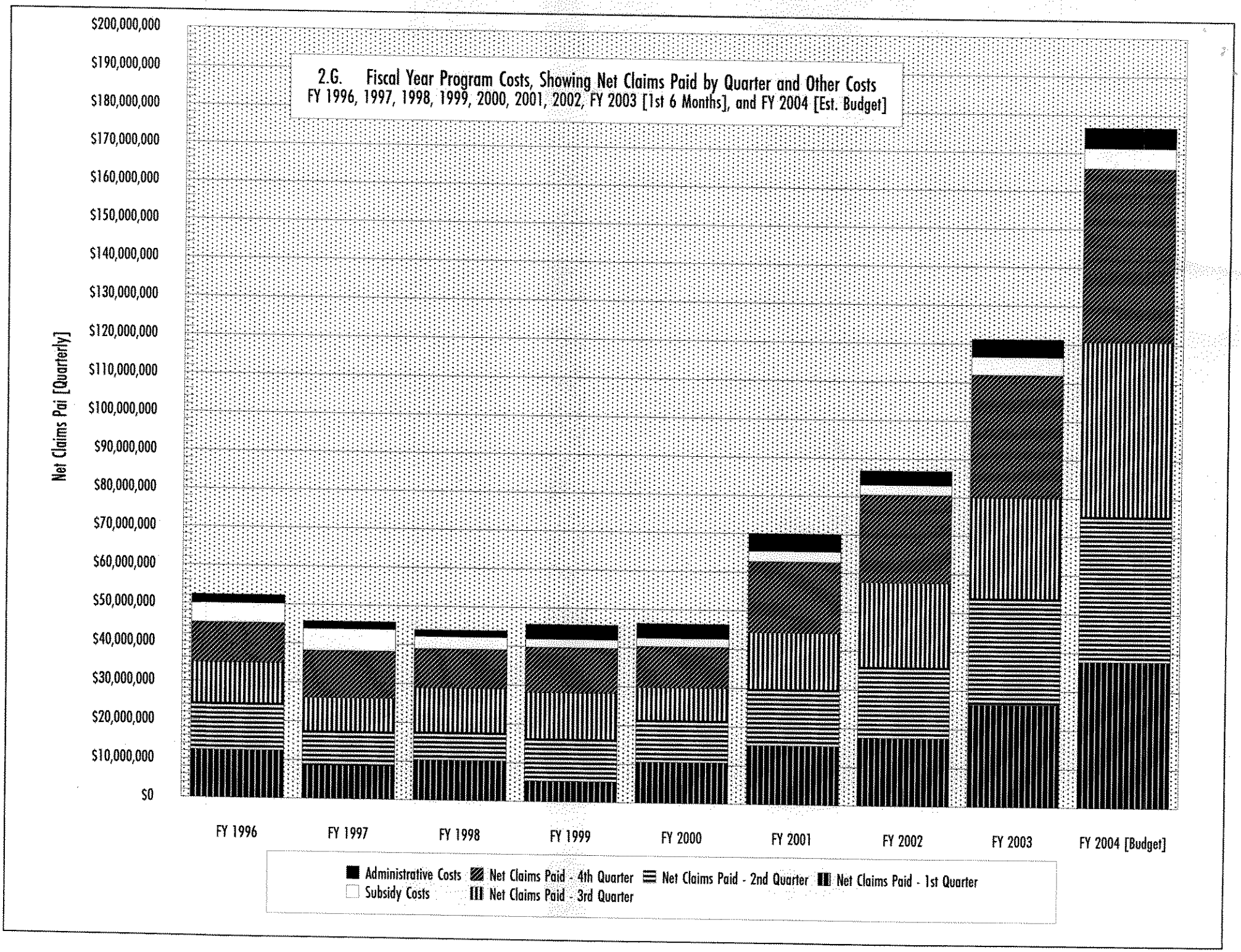
Zone 1	Plan 1A		Plan 1B		Plan 2		Subtotal		Grand			
	Male	Female	Male	Female	Male	Female	Male	Female	Total			
0 - 18		7		2				9	9	0.7%	100.0%	0.7%
0 - 24	28		12				40		40	3.0%	99.3%	3.6%
19 - 24		10		2		1		13	13	1.0%	96.4%	4.6%
25 - 29	17	21	4	4	2	1	23	26	49	3.6%	95.4%	8.3%
30 - 34	18	17	4	5	5	1	27	23	50	3.7%	91.7%	12.0%
35 - 39	37	19	11	8	13	7	61	34	95	7.1%	88.0%	19.0%
40 - 44	36	26	16	12	13	8	65	46	111	8.3%	81.0%	27.3%
45 - 49	52	43	16	22	24	15	92	80	172	12.8%	72.7%	40.1%
50 - 54	48	72	31	27	14	20	93	119	212	15.8%	59.9%	55.9%
55 - 59	36	80	43	50	15	12	95	142	237	17.6%	44.1%	73.5%
60 - 64	36	89	72	103	11	15	119	207	326	24.3%	26.5%	97.8%
65 +		1		1	7	21	7	23	30	2.2%	2.2%	100.0%
	308	385	209	236	105	101	622	722	1,344			
		693		445		206		1,344				

Zone 2	Plan 1A		Plan 1B		Plan 2		Subtotal		Grand			
	Male	Female	Male	Female	Male	Female	Male	Female	Total			
0 - 18		43		23				66	66	1.4%	100.0%	1.4%
0 - 24	122		52				174		174	3.6%	98.6%	5.0%
19 - 24		58		15		1		74	74	1.5%	95.0%	6.5%
25 - 29	49	45	6	10	1	2	56	57	113	2.3%	93.5%	8.8%
30 - 34	65	69	19	15	6	5	90	89	179	3.7%	91.2%	12.5%
35 - 39	83	84	33	36	12	12	128	132	260	5.4%	87.5%	17.9%
40 - 44	118	94	76	70	15	26	209	190	399	8.2%	82.1%	26.1%
45 - 49	130	148	96	105	41	38	269	291	560	11.6%	73.9%	37.7%
50 - 54	149	180	130	160	30	45	309	385	694	14.3%	62.3%	52.0%
55 - 59	141	262	180	224	25	46	346	532	878	18.1%	48.0%	70.2%
60 - 64	133	384	313	403	35	56	481	843	1,324	27.3%	29.8%	97.5%
65 +	1	3		3	39	75	40	81	121	2.5%	2.5%	100.0%
	991	1,370	907	1,064	204	306	2,102	2,740	4,842			
		2,361		1,971		510		4,842				

Zone 3	Plan 1A		Plan 1B		Plan 2		Subtotal		Grand			
	Male	Female	Male	Female	Male	Female	Male	Female	Total			
0 - 19		119		41				160	160	1.5%	100.0%	1.5%
0 - 24	271		93		4		368		368	3.4%	98.5%	4.9%
19 - 24		126		29		1		156	156	1.4%	95.1%	6.3%
25 - 29	105	113	24	18	7	4	136	135	271	2.5%	93.7%	8.8%
30 - 34	111	110	33	43	5	5	149	158	307	2.8%	91.2%	11.7%
35 - 39	181	155	74	60	22	17	277	232	509	4.7%	88.3%	16.4%
40 - 44	275	238	128	164	51	29	454	431	885	8.2%	83.6%	24.5%
45 - 49	338	352	182	216	55	52	575	620	1,195	11.0%	75.5%	35.6%
50 - 54	357	460	315	315	75	76	747	851	1,598	14.8%	64.4%	50.3%
55 - 59	349	596	463	547	74	103	886	1,246	2,132	19.7%	49.7%	70.0%
60 - 64	377	839	678	885	72	125	1,127	1,849	2,976	27.5%	30.0%	97.5%
65 +	3	3		5	75	188	78	196	274	2.5%	2.5%	100.0%
	2,367	3,111	1,990	2,323	440	600	4,797	6,034	10,831			
		5,478		4,313		1,040		10,831				

3,686	4,866	3,106	3,623	749	1,007	7,521	9,496	17,017

Plan 1A =	8,532	Plan 1B =	6,729	Plan 2 =	1,756	Total =	17,017

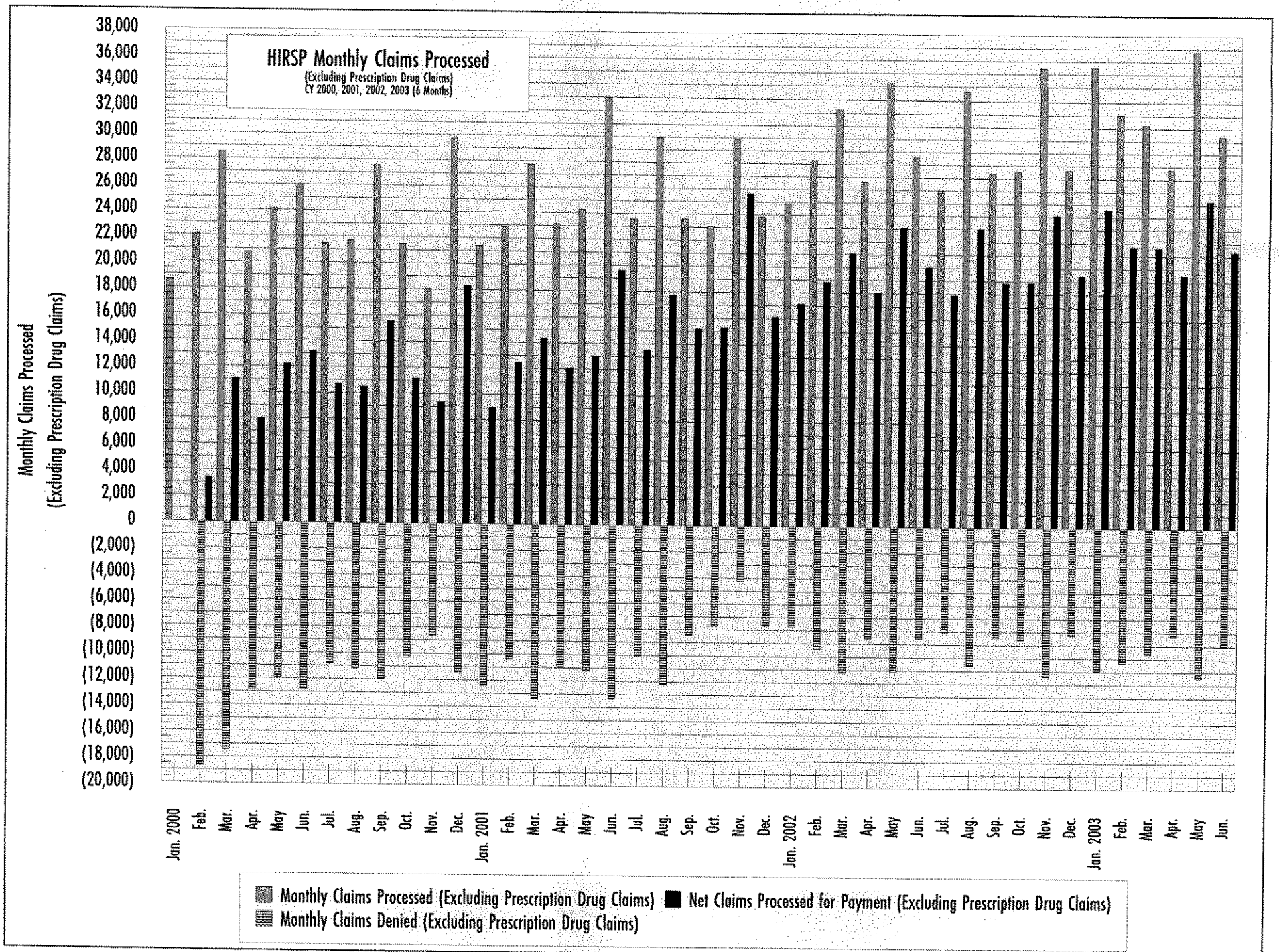

2.G. Fiscal Year Program Costs, Showing Net Claims Paid by Quarter and Other Costs
FY 1996, 1997, 1998, 1999, 2000, 2001, 2002, FY 2003 [1st 6 Months], and FY 2004 [Est. Budget]
Net Claims Pai [Quarterly]
$200,000,000
$190,000,000
$180,000,000
$170,000,000
$160,000,000
$150,000,000
$140,000,000
$130,000,000
$120,000,000
$110,000,000
$100,000,000
$90,000,000
$80,000,000
$70,000,000
$60,000,000
$50,000,000
$40,000,000
$30,000,000
$20,000,000
$10,000,000
$0
FY 1996
FY 1997
FY 1998
FY 1999
FY 2000
FY 2001
FY 2002
FY 2003
FY 2004 [Budget]
Administrative Costs
Subsidy Costs
Net Claims Paid - 4th Quarter
Net Claims Paid - 3rd Quarter
Net Claims Paid - 2nd Quarter
Net Claims Paid - 1st Quarter

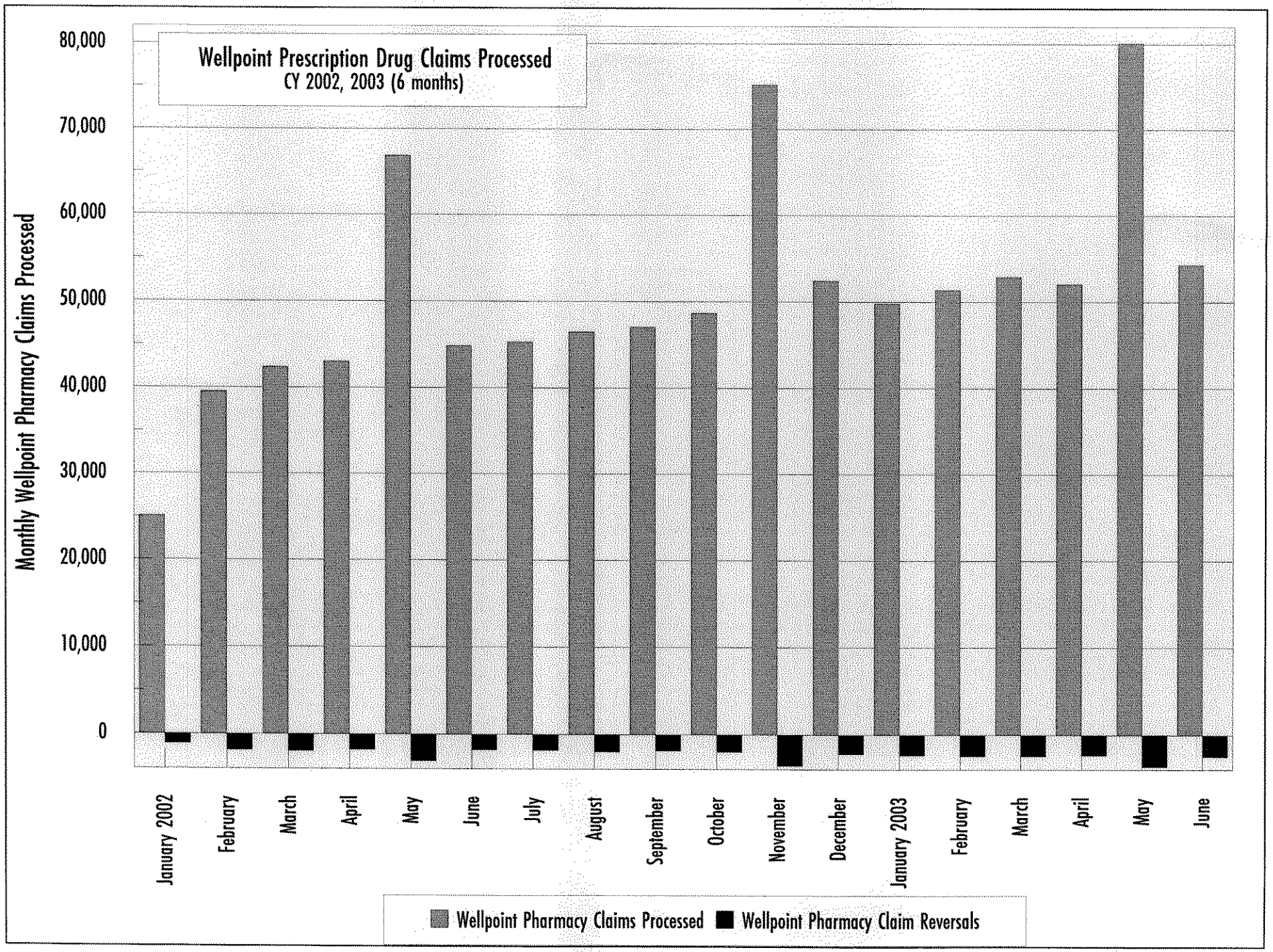
Attachment 1

Fiscal and Calendar Year HIRSP Program Costs, Showing Net Claims Paid Per Quarter, Administrative Costs, The Costs of Subsidies for Low-Income Policyholders, Average Population, and the Average Cost per Policy

	Fiscal Year Net Claims Paid						
Fiscal Year	A 1ST QUARTER	B 2ND QUARTER	C 3RD QUARTER	D 4TH QUARTER	E TOTAL A+B+C+D	F Reconciliation Adjustments to Claims Paid	G ADJUSTED TOTAL E + F
FY 1996	$12,342,957.82	$12,154,202.31	$10,327,823.48	$10,295,387.86	$45,120,371.47		$45,120,371.47
FY 1997	$8,640,733.02	$8,897,681.84	$8,550,044.01	$12,131,945.44	$38,220,404.31		$38,220,404.31
FY 1998	$10,429,951.51	$7,250,306.69	$11,242,246.49	$10,167,155.21	$39,089,659.90		$39,089,659.90
FY 1999	$5,344,026.68	$11,007,241.59	$11,804,679.41	$11,651,264.35	$39,807,212.03	($9.48)	$39,807,202.55
FY 2000	$10,676,607.86	$10,892,532.86	$8,283,922.27	$10,586,348.21	$40,439,411.20		$40,439,411.20
FY 2001	$15,335,273.56	$14,598,190.79	$14,425,553.25	$18,428,315.42	$62,787,333.02		$62,787,333.02
FY 2002	$17,651,811.00	$18,299,946.00	$21,698,768.00	$22,898,904.00	$80,549,429.00		$80,549,429.00
FY 2003	$26,404,473.00	$27,537,720.00	$26,051,320.00	$32,033,191.00	$112,026,704.00		$112,026,704.00
FY 2004 [Budget]	$37,740,174.00	$37,740,174.00	$45,251,283.00	$45,251,283.00	$165,982,914.00		$165,982,914.00

Fiscal Year	H Monthly Report Administrative Costs	I Reconciliation Adjustments to Administrative Costs	J Restated Administrative Costs F+G	K Amounts Received for Premium And Deducible Subsidies	L Total Program Costs G + J + K	M Average Population	N Average Cost per Policy H/I
FY 1996	$2,179,483.57		$2,179,483.57	$5,023,567.48	$52,323,422.52	9,487	$5,515
FY 1997	$1,937,388.14		$1,937,388.14	$5,556,320.81	$45,714,113.26	8,112	$5,635
FY 1998	$1,725,028.73	$1,936,805.27	$3,661,834.00	$3,072,779.71	$45,824,273.61	7,367	$6,220
FY 1999	$3,799,887.05	$438,966.95	$4,238,854.00	$2,100,059.38	$46,146,115.93	7,263	$6,354
FY 2000	$3,728,441.93	($173,865.93)	$3,554,576.00	$2,158,600.27	$46,152,587.47	8,099	$5,699
FY 2001	$4,598,662.19		$4,598,662.19	$2,701,621.55	$70,087,616.76	10,257	$6,833
FY 2002	$3,728,441.93		$3,728,441.93	$2,553,362.99	$86,831,233.92	12,983	$6,688
FY 2003	$4,595,630.00		$4,595,630.00	$4,634,397.68	$121,256,731.68	15,910	$7,621
FY 2004 [Budget]	$5,360,772.00		$5,360,772.00	$5,354,660.00	$176,698,346.00	20,719	$8,528


HIRSP Monthly Claims Processed
(Excluding Prescription Drug Claims)
CY 2000, 2001, 2002, 2003 (6 Months)
Monthly Claims Processed
(Excluding Prescription Drug Claims)
38,000
36,000
34,000
32,000
30,000
28,000
26,000
24,000
22,000
20,000
18,000
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
(2,000)
(4,000)
(6,000)
(8,000)
(10,000)
(12,000)
(14,000)
(16,000)
(18,000)
(20,000)
Jan. 2000
Feb.
Mar.
Apr.
May
Jun.
Jul.
Aug.
Sep.
Oct.
Nov.
Dec.
Jan. 2001
Feb.
Mar.
Apr.
May
Jun.
Jul.
Aug.
Sep.
Oct.
Nov.
Dec.
Jan. 2002
Feb.
Mar.
Apr.
May
Jun.
Jul.
Aug.
Sep.
Oct.
Nov.
Dec.
Jan. 2003
Feb.
Mar.
Apr.
May
Jun.
Monthly Claims Processed (Excluding Prescription Drug Claims)
Net Claims Processed for Payment (Excluding Prescription Drug Claims)
Monthly Claims Denied (Excluding Prescription Drug Claims)


Wellpoint Prescription Drug Claims Processed
CY 2002, 2003 (6 months)
Monthly Wellpoint Pharmacy Claims Processed
80,000
70,000
60,000
50,000
40,000
30,000
20,000
10,000
0
January 2002
February
March
April
May
June
July
August
September
October
November
December
January 2003
February
March
April
May
June
Wellpoint Pharmacy Claims Processed
Wellpoint Pharmacy Claim Reversals