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(FORM UPDATED: 08/11/2010)

WISCONSIN STATE LEGISLATURE ...
PUBLIC HEARING - COMMITTEE RECORDS

1995-96

(session year)

Assembly

(Assembly, Senate or Joint)

Committee on Insurance, Securities and Corporate Policy...

COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)
  - (**ab** = Assembly Bill) (**ar** = Assembly Resolution) (**ajr** = Assembly Joint Resolution)
  - (**sb** = Senate Bill) (**sr** = Senate Resolution) (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

* Contents organized for archiving by: Stefanie Rose (LRB) (October 2012)

ph on SB621 + call
on above
explaination

TO: Assembly Insurance, Securities and Corporate Policy Committee Members

FROM: Representative Sheryl Albers Albers

RE: Hearing on Clearinghous Rule 96-011

DATE: April 2, 1996

I have received a request from Representative Robson to hold a hearing on Clearinghouse Rule 96-011 relating to the 1996-97 premium rates for the health insurance risk-sharing plan. As you know, this rule, which will go into effect in July, raises the premiums from HIRSP participants by 28%.

Our review period on this rule ends on April 20th.

The next two regularly scheduled meeting days for the committee are April 18th and May 2nd.

Please call the committee clerk, Darcy at 6-8531 by the end of this week to let me know if either of these days will not work for you. I am also considering holding a ~~hearing~~ on this jointly with the Senate Insurance Committee on April 30th in Marshfield should they choose to hold a hearing on ~~the rule.~~

Baldus - Ok w/either

Underheim - " ~~Cant on 30th~~

Ziegelbauer - May 2nd better than April 18 ?

Notestein - 18th better, either OK

Green - 18th ok, ~~20th~~ bad No on ~~30th of April~~

Cullen - 18th OK

Lorge - 18th OK

Kreibich - small business at 1pm Eau Claire leave at 6pm by 3p

Hoven - 18th OK

Lazich - 18 - pm ~~2nd - OK~~ ?

Lasee - May 2nd better ?

Robson - OK

Albers - OK


FORWARD
E PLURIBUS UNUM

State of Wisconsin / Office of the Commissioner of Insurance

Tommy G. Thompson
Governor

Josephine W. Musser
Commissioner

121 East Wilson Street
P.O. Box 7873
Madison, WI 53707-7873
phone: (608) 266-3585
fax: (608) 266-9935

Testimony relating to Clearinghouse Rule 96-011
offered to the
Assembly Committee on Insurance, Securities and Corporate Policy
by
Peter Farrow, insurance administrator, on behalf of
Commissioner of Insurance Josephine Musser
April 18, 1996

Good afternoon, chairperson Albers and members of the Committee. Thank you for the opportunity to appear before you and offer background testimony on Clearinghouse Rule 96-011, which amends s. Ins 18.07, Wis. Adm. Code and sets new policyholder premiums for the Health Insurance Risk-Sharing Plan (HIRSP).

HIRSP policyholder premium rates are required by sec. 619.14 (5) (a) Wis. stats. to be set at a level recovering 60 percent of plan costs. This requirement was established by the Legislature in 1991. In order to meet this statutory requirement, s. Ins 18.07, Wis. Adm. Code establishes the premiums, effective July 1, 1996, at an average level that is 28 percent higher than current premiums.

Commissioner Musser sent a letter on January 24, 1996, to Assembly and Senate insurance committee members, in which she expressed her concern with promulgating a 28 percent rate increase. Along with that letter, she forwarded a copy of a report, *HIRSP: Background and Policy Considerations*, which summarized the history, current status and possible short-term solutions for HIRSP.

As program costs have risen rapidly, a number of questions have been raised over the last year regarding the implementation of managed care and cost containment tools in HIRSP. I would like to take this opportunity to provide an update on what the HIRSP Board of Governors (Board) and OCI have done along these lines. As most of you know, the Board has wrestled with the feasibility of applying managed care to the HIRSP population, given existing statutes, for over five years. Rather than implementing a broad managed care program, the Board began implementing managed care components in 1994 with the introduction of a preadmission review program and a hospital bill audit program.

In December 1995, the Board approved a plan to implement a discount network for hospitals, mental health treatment and prescription drug purchases. These networks, which were introduced during March and April 1996, are anticipated to save an additional $2 million in plan costs per year. Without this network development, premiums increases for 1996 would have averaged 36 percent. The establishment of these networks is due in part to the willingness of many health care providers to join the HIRSP network and offer discounted services to policyholders.

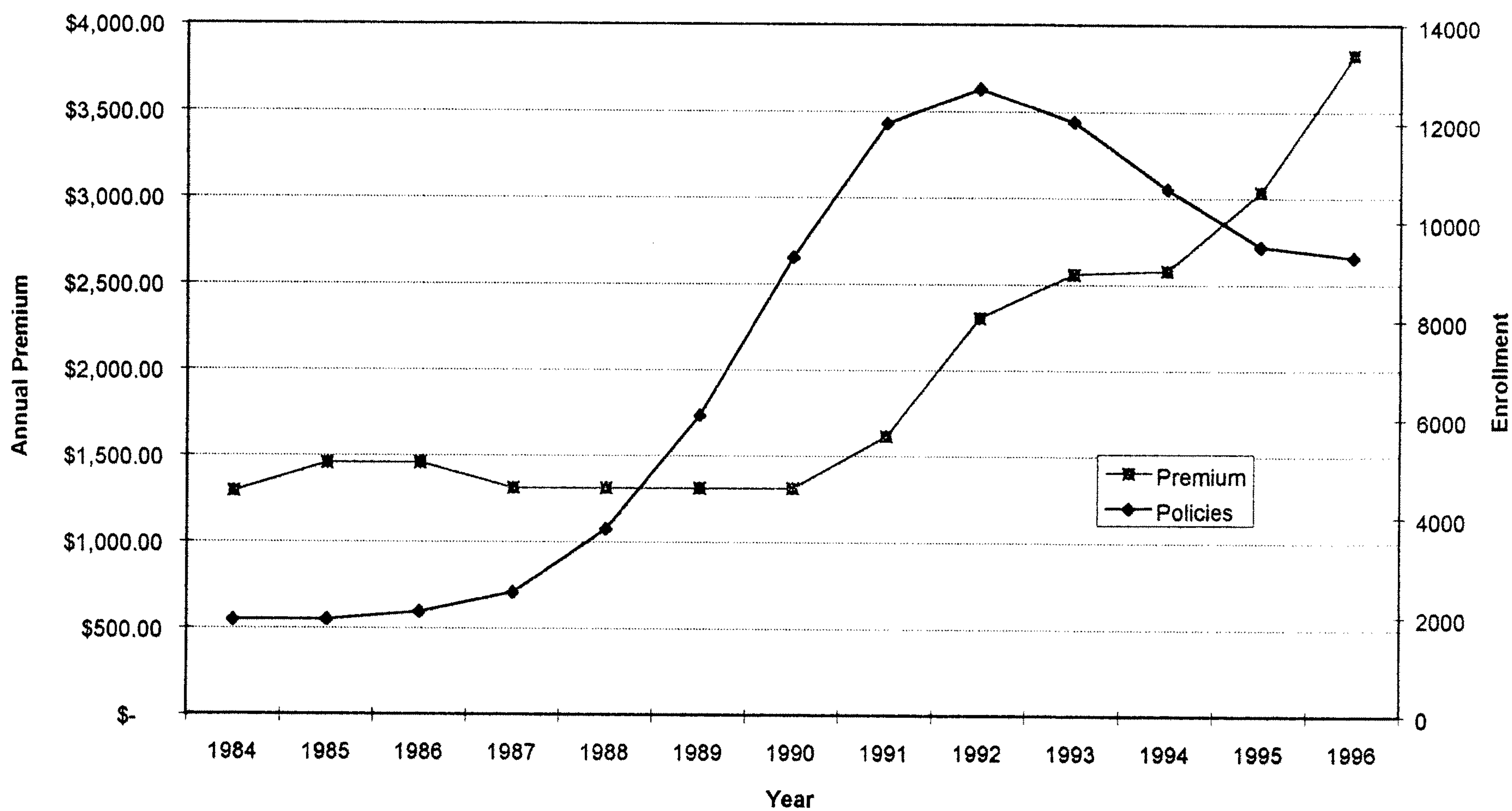
In addition to these managed care and cost containment provisions, the current request for proposal for the HIRSP Administrative Services Contract requested bidders to propose more extensive provider networks in an effort to broaden managed care programs for HIRSP. These proposals are currently being reviewed. I anticipate the Board will award the contract, effective July 1, 1996, by the end of April. Depending on which proposal the Board chooses to accept, expansion to a full network is anticipated by October 1, 1996.

Various reforms to HIRSP have been proposed over the last year. OCI has assisted in drafting a number of these proposals. The reform proposals ranged between short-term and long-term solutions for HIRSP's problems. I am sure that most of the parties involved in this discussion believe that, over the next year, a long-term solution for HIRSP will be discussed and proposed.

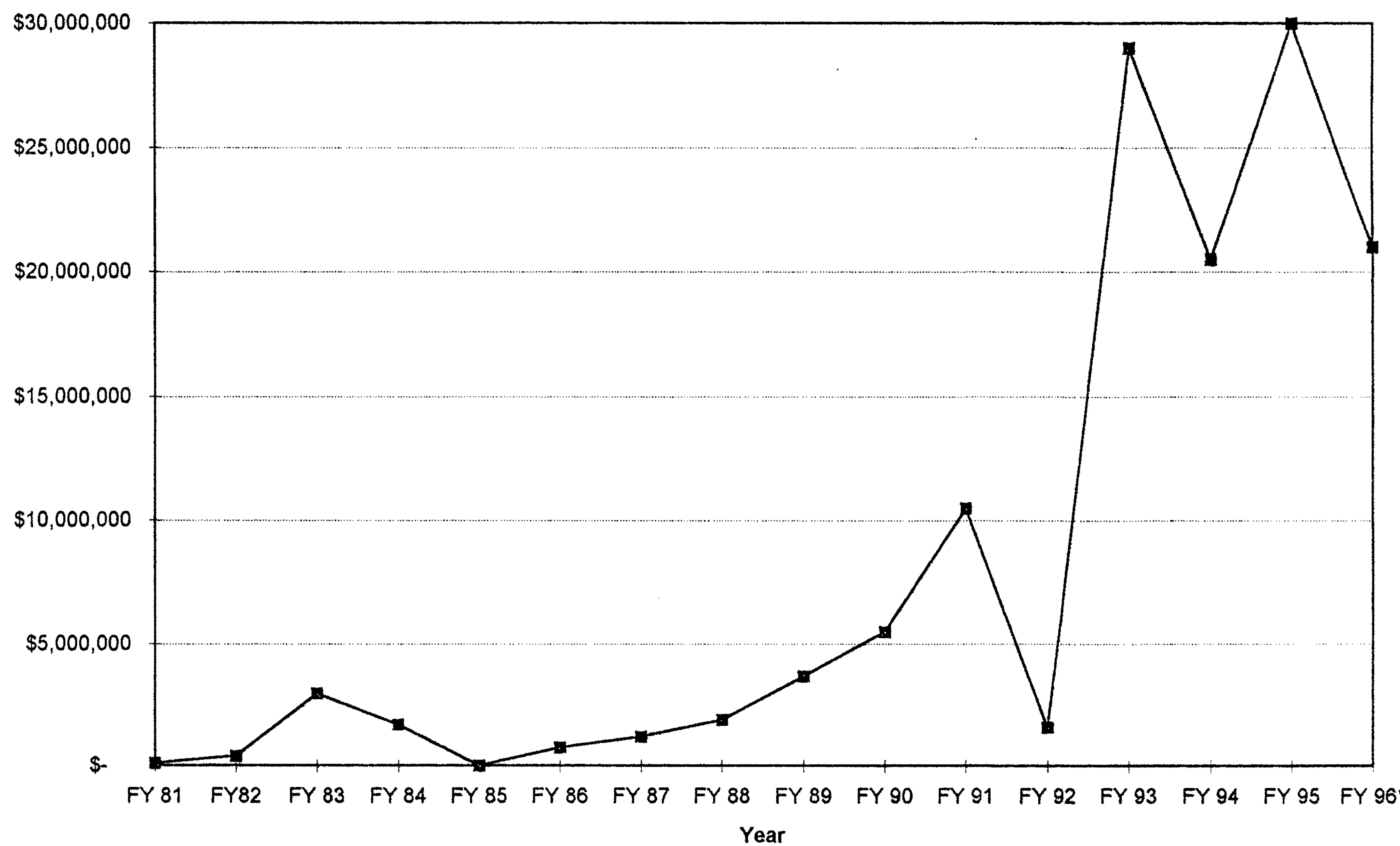
In the short-term, however, because these proposed legislative changes have not yet been passed by Legislature, the changes to premiums proposed in s. Ins 18.07, Wis. Adm. Code are required by statute.

Thank you for your attention and concern regarding HIRSP. I have attached a few documents which may answer some of your questions and I would be happy to answer any questions you may have at this time.

HIRSP Premiums and Enrollment



HIRSP Assessments by Fiscal Year



Coopers
&Lybrand

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a professional services firm

Coopers & Lybrand Consulting

The 411 East Wisconsin Building
Milwaukee Wisconsin
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telephone (414) 271-3200

facsimile (414) 271-7820

December 22, 1995

RECEIVED DEC 26 1995 WISC. COMM. OF INSURANCE

Eileen Mallow
Director of HIRSP
Office of the Commissioner of Insurance
State of Wisconsin
P.O. Box 7873
Madison, WI 53707-7873

Re: Recommendations for 1996 Assessment and Rate Revisions - Addendum to December 15, 1995 Actuarial Report

Dear Eileen:

Please forward this letter on to members of the HIRSP Board. It represents the changes as a result of the discussions of my annual actuarial report at the December 15, 1995 Board meeting. Please treat it as an addendum to that report. The material has been reviewed by the Actuarial Committee of HIRSP. Their comments are attached.

Please recall that, in my Actuarial Report of December 15, I fell short of making a Fiscal 1997 premium rate recommendation for several reasons. The most important was related to the incorporation of a yet-to-be fully determined preferred provider benefits program. Another important reason was the need to further analyze certain critical assumptions. In regards to the preferred provider program, at your direction, this addendum continues to ignore the impact. That is, the conclusions stated here apply only to a HIRSP providing indemnity-type benefits into Fiscal 1997, as it traditionally has done so for the last few years.

In regards to analysis of the critical assumptions discussed at the December 15 Board meeting, I have made some changes that affect both the conclusions and commentary of the report for premium rates, subsidy payments and assessments. Consequently, this addendum presents our final recommendation on those subjects.

The December 15 report you received from me contained numerous exhibits and tables, of which some may no longer be appropriate based on information presented in this addendum. Consequently I have enclosed with this letter appropriate replacements. Where this letter does not include replacements the December 15 exhibits and tables still apply.

<u>CONCLUSIONS and RECOMMENDATIONS</u>

➢ It is recommended that "Full" premium rates for Fiscal 1997 be increased on the average of **36% for Plan 1 and 34% for Plan 2** to comply with the 60% funding requirement of the law, by promulgating the revised schedule of premium rates enclosed with this addendum. Individual members' rate increases will vary between 22.1% and 37.8%, depending on age and sex, under the revised schedule. There are a few exceptions to this at the younger ages of Plan 2, where no rate increases or smaller ones would apply.

- It is recommended that the subsidy as a percentage of the full premium rates increase by promulgating the revised "subsidy" base rate schedule enclosed for Fiscal 1997, which is 12.3% greater on the average than the current base schedule. The portion of premium that individual subsidized members will pay under the new schedule will vary between 8.2% and 14.0%, depending on age and sex.

- The Plan's total costs (expenses plus claim costs) will exceed its operational income (investment income plus premium payments from participants) by a smaller amount in Fiscal 1997 than in Fiscal 1996 due to the shrinking size of membership expected and the large rate increases recommended in the first bullet point above. The amount of that excess will be approximately $20.3 million in Fiscal 1997 compared to the projected $25.4 million in Fiscal 1996.

- The assessments as a result of operational income falling short of total plan costs noted in the above bullet point, adjusted for beginning balances, timing of the last assessment, the changes in subsidies and in general purpose revenues available, will be very slightly smaller in Fiscal 1997 than in 1996. Approximately $24.7 million will be required in Fiscal 1997 compared to $25.6 million expected to be collected in Fiscal 1996 (a significant portion of the $19 million assessment made June, 1995 was collected in Fiscal 1996, i.e., after July 1, while $10 million was approved for collection in the early part of 1996.) The recommendation for Fiscal 1997 assessments are planned to be made in May or June, 1996.

"FULL" PREMIUM RATES

- "Full" premium rates are those rates called for by the law to be set equal to 60% of total Plan costs. Costs change from year to year for various reasons, the most critical being plan size and trend in morbidity costs. The amount of these combined indicate that a 36% overall average rate increase for Plan 1 and 34% for Plan 2 be put into place. Exhibit 1-REVISED shows how that percentages vary by age, sex and plan number.

- Exhibit 2 shows how rates will stand under the recommendation relative to industry standard premium rates. As that exhibit shows, rates will be approximately 211% over standard. That is an increase of 36.8% over where they stood last year when they were about 174%.

Assumptions for "full" premium rates

- Exhibit 4-REVISED, all three parts, show how the assumptions within the Plan affects the financial costs of the program. The key assumptions which have changed in this addendum from the December 15 report are as follows:

1) The morbidity trend in Fiscal 1996 over Fiscal 1995 has been changed to 18% from 12.5%. Annual trend rates for all years beyond that are kept the same.

We have changed this assumption as a result of further review and discussions with the Actuarial Committee and incorporating an extra month of recent Plan history on morbidity. We concluded we should expect trend on the Plan to be greater than that expected for industry standard business. The actuarial field believes that industry costs for major medical business is trending at a rate of about 10-12% a year. Since the HIRSP plan has historically trended a couple of percentage points greater than industry trend, it is only reasonable to assume that this be the case again in 1996. We also considered the fact that the Plan is shrinking and there appears to be evidence of adverse selection typical on a shrinking block of business. Empirical evidence was the 21% trend rate experienced last year. Consequently, we concluded trend for HIRSP in Fiscal 1996 will be about 6-8 percentage points higher than industry rates, thus the 18% assumption. It is possible that that trend could be higher than last year at 21%, but last year was the first experience year after the Small Group law went into place, possibly contributing to the adverse trend then. A similar event is not expected in 1996.

2) We changed our assumptions of new issues from 650 new entrants every six months beginning with the first half of 1996, down to 600 for the six month period of January 1996 to June 1996, and 500 for each six month period thereafter. This assumption is heavily based on the recent 4 months experience of issues since Fiscal 1996 began.

3) The lapse rate assumption has been increased to 13% each six month period with the exception of using a 15% one time rate assumption in the six month period following the July 1996 recommended rate increase. The assumption is greater than the 10% assumption made in the December 15 report. The 10% rate was based on assumptions that the Plan is mature and therefore the number of potential members lapsing had peaked because the only the sickest of members would be remaining. The lapse rate experience on Plan 2, the Medicare Supplement Plan, which exhibits the highest morbidity, is very low relative to the 10% assumption. This lends support to our maturation argument that the worse the morbidity the lower the termination rate. However, there is reason to believe, based on lapse rates experienced last year and lapse rates for the first 4 months of the current fiscal year, that we are not yet at that maturity level. Last year we experienced six-months lapse rates 13-14%, so we concluded a 13% assumption to be appropriate for our projection in the near future.

LOW INCOME SUBSIDY RATES

The December 15 report indicated that rates for low income members needed to be increased by 5.1% over the current rates. That number was low compared to increases most companies were incurring because, as was stated in our December 15 report, a shift in market share occurred to a lowered premium plan offered by American Family, the largest component of our averaging methodology.

Since December 15 we carried on discussions with the American Family actuary along with the Actuarial Committee, concluding that the American Family's rates submitted under our rate survey would need to be adjusted further for the fact that their current rate schedule did not appropriately represent the "standard" risk for their insured populations that had been in force for a number of years. American Family began selling a comprehensive type Major Medical plan only two years ago. That plan is underwritten, typically as strong or stronger than other individual companies underwrite. It is fully priced for that underwritten period, thereby taking full advantage of the expected earlier lower claim costs in the premium rates it is charging. As a result, we decided, with American Family's concurrence, that an appropriate adjustment is to be made to determine standard rates for their entire book of business, not just their recently made available product. The premium rates on their older blocks of business are substantially higher, even after actuarial benefit equivalency adjustments are made. Consequently, the standard rates attributed to American Family have been raised, which in turn had the effect of revising the standard risk rate level to about 12.3% higher than the current year, instead of the 5.1% stated in the December 15 report. The implications of this rate increase can be seen in Exhibit 6 - REVISED and the accompanying appendices.

The consequence of raising rates on low income members less than on full premium paying members of higher income households under these revised assumptions means that the differential between an individual earning just under the $20,000 qualifying threshold and those not qualifying -- just over $20,000 -- is approximately 86.2%. See Exhibit 7.

The appendices of the report provided you on December 15 involve the calculations of American Family and other companies in the survey. Those have been revised and are enclosed for your documentation as well.

ASSESSMENTS

Referring back to the assumptions under the "Full Premium" section of this addendum, various assumptions were made in regard to morbidity trend and the size of the plan. Not only do these assumptions affect the premium rate calculations but they directly affect the size of the assessments, because the assessments are simply the difference between the actual costs and premium income (and investment income) under the Plan, with some adjustments made for beginning reserve balances and amount of general purpose revenue funds that are available within the fiscal year. I refer you to Exhibit 4 - REVISED, specifically part 3 of that Exhibit indicating that assessments needed will be approximately $24.3 million for Fiscal 1997. I will be making a specific recommendation when we approach the beginning of the fiscal year, around May or June, 1996.

CLOSING

Besides the revised exhibits (revisions to exhibits and tables provided with the December 15 report) referred to in this addendum, enclosed with this addendum is a complete set of premium rate tables for Plan 1, Plan 2 and the base rates for the subsidy program that we are recommending. If the Board approves the recommendations made with this letter, in combination with our December 15 report, the ruie-making process would incorporate the enclosed set of rates tables. These tables are supported by all the material discussed in this addendum.

Please let me know how you wish me to communicate this information. There is a January 8 meeting of the Board scheduled to solely discuss premium rates. I will be happy to discuss this addendum more fully at that point for any of the Board members that may have questions. I trust that you will distribute this letter in advance to all members.

Sincerely,

Thomas J. Stoiber, FSA, MAAA
Senior Consultant

TJS:fdm

cc: Scott Geske

Enclosures

a:\hirsp communications-addendm.sam

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MEMORANDUM

TO: Board Members of the Wisconsin HIRSP
(See Distribution)

FROM: Thomas J. Stoiber, FSA, MAAA
Senior Consultant

Thomas J. Stoiber

DATE: January 12, 1996

SUBJECT: HIRSP Premium Rates

At the direction of Eileen Mallow, I have prepared complete schedules of HIRSP premium rates that I am recommending for installation on July 1, 1996. They are enclosed. My understanding is that you will be considering taking action on these during a conference call, Tuesday, January 16.

Over the last several weeks, I have prepared for you proposals on the needed rate increases for July 1, 1996 under two scenarios, one which continues the use of the traditional indemnity plan now in force and another which introduces preferred provider organizational benefits into the Plan. Please refer to my communications to you dated December 15, 1995; December 22, 1995; January 2, 1996; and January 11, 1996. Those documents describe the assumptions and key implications that you need to reach a decision. The purpose of this communication is to put in one place all the rate implications of those discussions in one summary document, incorporating one last piece of critical information that was quantified yesterday, the value of the PPO discount on prescription drugs attributable to Plan 2 members.

Enclosed is the complete set of rate schedules for you to consider. Installation of these rates will result in a rate increase for all covered by HIRSP (except for a relatively few in which no rate change occur.) Those rate increases differ by age and sex as described in the previous communications referred to above. On the average, the increases by Plan and income level can be summarized in the following table.

Average Premium Rate Increase
Upon Instalaltion of Recommeded PPO Rate Schedules
for July 1, 1996 over July 1, 1995 Schedule

PLAN	FULL-PAYING	SUBSIDIZED
1	28%	4.9%
2	33	9.5

For comparison purposes I have assembled the following similar table of rate increases that I would have recommended had you decided to continue offering the traditional indemnity plan.

Average Premium Rate Increase Upon Installation of Traditional Indemnity Rate Schedule for July 1, 1996 over July 1, 1995 Schedule		
PLAN	**FULL-PAYING**	**SUBSIDIZED**
1	36%	12.3%
2	36	12.3

As stated earlier, the only new piece of information here is the inclusion of PPO rates for Plan 2 members. Under Plan 2, only drug claims are affected by the new arrangement. Van Jones, of Blue Cross, compiled statistics and forwarded them on to Eileen Mallow, with a copy to me, in a January 11, 1996 facsimile transmission that the value of the Pharmacy arrangement would cause drug claims to be 2.92% lower than they are today. (Van actually used 1994 to make his computations, which we believe to be still appropriate today.) With this new information, I generated the enclosed tables.

I will be available for consultation on this during your Tuesday conference call to clarify any concerns you have on this matter.

TJS:fdm

Enclosure

Distribution: Josephine W. Musser, Chair
Bill Felsing
Dianne Greenley
Claire Johnson
Dan Johnson
Mary Beth Leib
Annette Stebbins
Robert Wood

cc: Eileen Mallow

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FORWARD
E PLURIBUS UNUM

Larry A. Rambo
President

Nancy J. Wenzel
Executive Director

Association of
Wisconsin **HMOs**

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April 5, 1996

Ins Comm File

APR 8 1996

To: Representative Sheryl Albers

From: Kelly M. Rosati
Director of Government Affairs

Re: 1996 Legislative Action on the Health Insurance Risk Sharing Plan (HIRSP)

As you know, representatives from Wisconsin business groups, HMOs, insurers and providers have discussed and debated HIRSP reform for much of the 1995-97 biennial session. While these groups were unable to agree upon the HIRSP reform contained in Senate Substitute Amendment 1 to AB 416, agreement has been reached on a more modest proposal designed to address the HIRSP crisis in the short term while a long term solution is found.

The Wisconsin Manufacturers & Commerce (WMC), the Wisconsin Chapter of the National Federation of Independent Business (NFIB), the Association of Wisconsin HMOs, the Wisconsin Association of Life and Health Insurers (WALHI), the Wisconsin Hospital Association (WHA) and the State Medical Society (SMS) support a short term HIRSP solution which contains several of the elements of AB 1056, Representative Albers' bill currently in the Joint Committee on Finance (JFC). The agreed upon provisions are:

- Direct the Legislative Council to **study and report by February 1, 1997, on a replacement for HIRSP.** All concerned parties shall be represented on the Legislative Council Committee including the Commissioner of Insurance and the Secretary of the Department of Health and Social Services;

- No later than January 1, 1998, **sunset the current HIRSP program and simultaneously enact a statutory replacement;**

- **Limit future growth in HIRSP premiums and total insurer assessments.** Enact a subscriber premium cap and a cap on total aggregate insurer assessments. Require the Commissioner to report to the Joint Committee on Finance (JFC) when the HIRSP program hits <u>either</u> of the caps and request additional state funds from JFC to meet any HIRSP obligations; and

- **Set rates for premiums by emergency rule** rather than normal administrative rule to allow for more current and accurate information when setting future premium rates.

Many Legislators also seem interested in providing additional general purpose revenue (GPR) to the HIRSP program in order to mitigate the effect of the upcoming statutorily required premium rate increase. Representative Underheim's proposal, AB 1044, also in the JFC, attempts to do that by creating a new subsidy category in HIRSP.

The Association of Wisconsin HMOs is not opposed to the concept of additional GPR for HIRSP. In fact, GPR was intended to fully fund the existing HIRSP subsidy program for subscribers with annual household incomes less than $20,000. However, GPR was capped in 1991, leaving insurer assessments to cover the subsidy shortfall. Insurer assessment now pay 2 1/2 times what GPR pays for HIRSP subsidy. **In calendar year 1995, insurer assessments totaled $29 million.** Those assessment costs are passed on to insurers' small business and individual customers, increasing overall health care costs in Wisconsin.

In light of the ever-increasing HIRSP assessment burden, the Association is concerned that the provision granting additional GPR for a new subsidy category be both technically correct and not vetoed by the Governor. If AB 1044 is not amended to make clear that any shortfalls in the new subsidy category shall not be funded through additional insurer assessments, the Association must oppose the bill. Likewise, if it appears likely that the GPR would be vetoed by the Governor and not overridden, leaving additional insurer assessments to fund the new subsidy category, the Association must also oppose the bill.

The Association supports Representative Underheim's proposed amendment to AB 1044 which ensures that the subsidy provision is technically correct. The proposed amendment creates a new and separate appropriation for the new subsidy category instead of adding GPR to the existing HIRSP appropriation. The amendment makes clear that the GPR funds in the new appropriation will be the exclusive source of revenue for the new subsidy category. If GPR funds fall short, the Commissioner must go to JFC and request additional GPR to fully meet the commitment of the Legislature to the new subsidy category. **Shortfalls in the new subsidy category will not be funded through additional insurer assessments.**

Increased insurer assessments for HIRSP only increase the overall health care costs for Wisconsin employers and employees. Any legislative attempt to address the HIRSP crisis should ensure that the HIRSP assessment burden is not increased.

The Association of Wisconsin HMOs urges you to take action on HIRSP in 1996. If you have any questions about the consensus position advanced by Wisconsin business groups, insurers, and providers or about the Association's concerns related to additional GPR for HIRSP, please call me at (608) 255-8599.

WISCONSIN STATE LEGISLATURE

5 to 8 million
HIRSP actuary
estimates

Coopers & Lybrand

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Milwaukee, Wisconsin
53202

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facsimile (414) 271-7820

February 14, 1996

Jim Auron
Wisconsin Legislative Fiscal Bureau

via facsimille transmission: 608-267-6873

Re: Impact of No Rate Increase for HIRSP, Fiscal 1997

Dear Jim:

Please find enclosed a summary table of key assumptions and results of the impact on the HIRSP program for fiscal 1997 under the scenario that no rate increase is implemented this coming July. I am also enclosing the detail behind the summary. I am providing this information at your request.

Line 11 of the enclosed table shows the total impact on assessments. Assessments are that portion of the Plan's costs charged to the insurance industry. So they represent the financial impact to the insurance industry.

You specifically asked me to run the model I use to support the rate increase calculations I do for the Plan under an assumption that no increase be applied on either the low income population nor the regular members. I have done that using the same model calculation I used in making the average 28% rate increase (a 12.3% average on the low income, subsidized population) recommendation I provided the Board last month on a PPO network version of the Plan for July with a change in a few assumptions that I believe are appropriate if no rate increase passed on this year. You should be aware of these. They are my own. There are other valid assumptions that can be made, for which I'd be happy to run them as well if you wish. I didn't feel it appropriate to use the same assumptions under a no increase scenario that I used for the rate increase recommendation work last month. Below is the list of assumptions I changed.

1) The number of new issues in fiscal 1997 would rise to similar levels experienced in 1994, i.e., 2,000 per year. That is up from 1,000 in our earlier projections with the rate increase.

2) For similar reasons to 1) I decreased the semi-annual lapse rates to a more moderate level of 11%, from 13%.

3) Finally, I slowed the morbidity trend rate (average cost per person in fiscal 97 relative to the average cost in fiscal 1996) to 6.0% from 7.1%. Please be aware that the trend is relatively small because it reflects the combined impact of normal inflationary trend on medical business of this type less an anticipated reduction for the installation of the PPO plan scheduled for fiscal 1997.

If you would like to discuss this further, please do not hesitate to give me a call.

Sincerely,

Thomas J. Stoiber, FSA, MAAA
Senior Consultant

cc: Eileen Mallow, HIRSP

a:\share2\auron.sam

IMPACT ANALYSIS ON HIRSP
OF NO RATE INCREASES IN FISCAL YEAR 1997

		(1) Network Discount Level 2 No Change	(2) Network Discount Level 2 Incr Enrollment No Rate Increase on Base and Subsidized Plans
1	Rate Increase on Base Plan	28.0%	0.0%
2	Rate Increase on Subsidized Plan	12.3%	0.0%
3	Premium Amount	28,579,780	24,462,423
4	Revised Trend	7.1%	6.0%
5	New Issues	1,000	2,000
6	Semi-Annual Term Rate	0.13	0.11
7	Total Claim Amount	45,887,726	47,698,133
8	Total Plan Costs	47,640,583	49,584,760
9	Cost to Premium Ratio	60.0%	49.3%
10	Premium Subsidy	3,551,663	2,287,426
11	Assessments	22,419,810	27,187,171
12	Assessments not allocated to Prem Subsidies	18,868,148	24,899,746
13	Assessments (12) + Premium (3)	47,447,928	49,362,169

WISCONSIN STATE LEGISLATURE

JUDITH B. ROBSON

STATE REPRESENTATIVE • WISCONSIN LEGISLATURE

March 21, 1996

Chair Sheryl Albers
Insurance, Securities
& Corporate Policy Committee
127 West, State Capitol

Dear ~~Representative~~ Sheryl Albers:

I am requesting a hearing on Clearinghouse Rule No 96-011, relating to 1996-97 premium rates for the Health Insurance Risk-Sharing Plan.

The rates established in this rule for persons not entitled to a premium reduction represent an average increase of 28%. The impact of this increase on the HIRSP members and the methodology used by the Commissioner of Insurance to establish the rates must be reviewed by the committee.

Your scheduling a hearing at the earliest possible date would be appreciated.

Sincerely,

Judy

Judith B. Robson
State Representative
45th Assembly District

JBR:kas

MADISON OFFICE: STATE CAPITOL, P.O. BOX 8953, MADISON, WISCONSIN 53708 • (608) 266-9967
DISTRICT ADDRESS: 2411 EAST RIDGE ROAD, BELOIT, WISCONSIN 53511 • (608) 365-6587
LEGISLATIVE HOTLINE: 1-800-362-WISC (9472)

WISCONSIN STATE LEGISLATURE

March 25, 1996

Representative Judith Robson
124 North State Capitol
Madison, WI

Dear Representative Robson:

I am not inclined to have a hearing on Clearinghouse Rule No 96-011, relating to 1996-97 premium rates for the Health Insurance Risk Sharing Plan (HIRSP) program.

The rate increase which will impact the HIRSP subscribers receiving no subsidy (those with incomes above $20,000) was approved by the Board in December of 1995. OCI and Legislators have known about the increase since late in 1995. I and others, including yourself, have been working throughout the 1995-97 Legislative session to address the HIRSP financial crisis. The two proposals advanced out of the Insurance Committee on 3/21/96 will both minimize the impact of the July increase represented in CR 96-011 as well as ensure future rate increases of that magnitude will not take effect because of the premium caps imposed.

In your letter you request a review of the HIRSP rate setting methodology. As has been discussed for many months, there is no mystery in the rate setting methodology. The law is crystal clear in fact. Section 619.14(5)(a) requires that "the commissioner shall set rates at 60% of the operating and administrative costs of the plan." This section of the statute has been unamended since 1991. **Without statutory changes, there is no action on the part of this committee which can effect the rate increase. It is required by law.** Further, an explanation of the rate setting methodology was contained in the January report from OCI which I distributed to committee members and was also discussed at the October 1995 public hearing on HIRSP. Thus, a hearing on the rule or the rate setting methodology serves no useful purpose.

The more important committee hearings were those related to the actual legislation which can mitigate the impact of the increase on HIRSP subscribers. I am hopeful that legislation will be enacted into law this session. However, a hearing on the rule may result in counterproductivity by engendering a false sense of HIRSP security among Legislators, jeopardizing the chance of passing meaningful Legislative proposals.

Finally, I remain very concerned about future viability of HIRSP. High provider charges and utilization increases are forcing costs out of control and only half of the state's insurers participate in HIRSP funding through assessments. Self-funded plans pay nothing while GPR has been capped. A replacement for HIRSP which incorporates HIRSP subscribers into a W2 health plan which is also made available to other uninsured individuals is a likely solution to HIRSP's long term problem. I look forward to working with you through the summer on a long term solution to the HIRSP crisis so that HIRSP subscribers will continue to have access to needed health care services.

It is also important to keep in mind that while the law is clear that the rates shall be set at 60% of the plan's costs, subscribers have often paid less than their statutorily required share of HIRSP. In fact, througout the last fiscal year, subscribers paid closer to 50% of the plan's costs, while insurer assessments also paid close to 50% even though assessments, by legal implication, should cover only 40% of the plan's costs.

Sincerely,

Sheryl K. Albers
State Representative
50th Assembly District

Office: P.O. Box 8952 • State Capitol • Madison, WI 53708–8952 • (608) 266–8531
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WISCONSIN STATE LEGISLATURE

JUDITH B. ROBSON

STATE REPRESENTATIVE • WISCONSIN LEGISLATURE

March 27, 1996

Chair Sheryl Albers
Insurance, Securities
& Corporate Policy Committee
127 West, State Capitol

Dear Representative Albers: Sheryl

Thank you for your letter explaining your opposition to scheduling a hearing on Clearinghouse Rule No 96-011, relating to 1996-97 premium rates for the Health Insurance Risk-Sharing Plan (HIRSP).

Based on your belief that we already have the information needed to evaluate CR 96-011, I am, therefore, requesting a committee meeting prior to the expiration of our review period. The purpose of the meeting would be to give committee members the opportunity to object to the proposed rule based on Wisconsin Statutes Section 227.19 (4) 6 (d) 2, 5, and 6.

We agree there is a HIRSP financial crisis. We have no assurance that Joint Finance Committee will act favorably on either of the two legislative proposals that were reported out of the Insurance Committee on March 21, 1996, or that either of the two legislative proposals will be scheduled for floor action during the final floor period in May.

If we allow the review period to lapse without objecting to Clearinghouse Rule No 96-011, we may well lose our only opportunity this session to ensure that due deliberation is given to the impact of this increase on our HIRSP members.

Your scheduling a hearing at the earliest possible date would be appreciated.

Sincerely,

Judy

Judith B. Robson
State Representative
45th Assembly District

JBR:kas

cc: Committee members

MADISON OFFICE: STATE CAPITOL, P.O. BOX 8953, MADISON, WISCONSIN 53708 • (608) 266-9967
DISTRICT ADDRESS: 2411 EAST RIDGE ROAD, BELOIT, WISCONSIN 53511 • (608) 365-6587
LEGISLATIVE HOTLINE: 1-800-362-WISC (9472)


FORWARD
E PLURIBUS UNUM

March 29, 1996

Representative Judy Robson
124 N, State Capitol

Dear Representative Robson:

In response to your second request for a hearing on Clearinghouse Rule 96-011, I did some research on what the impact would be if this rule were held up and the premium increases due this July postponed.

The HIRSP actuary has estimated that for fiscal year 1997, the assessments on insurers for the HIRSP population will be approximately $22.4 million. Absent the premium increase to HIRSP enrollees in July, an additional $5 million to $8 million would be assessed on insurers for a total of $27 million to $30 million for fiscal year 1997.

Even if we did suspend the rules and the Joint Committee on Review of Administrative Rules was able to draft a bill and get it passed at the beginning of the up-coming session, the increased assessments on insurers would be staggering. I have even heard rumblings of insurers suing the state over the increased assessments should the premium increases fail to go into effect as is statutorily required.

~~Although~~ I understand and share your concerns for the HIRSP. ~~program, I cannot hold a hearing on the rule. To hold up this rule would be to just prolong the inevitable~~e.

I will poll the members to see if its possible - or a

Sincerely,

Sheryl K. Albers
State Representative
50th Assembly District

Written Request to Prosser - Delora'.
Marshfield Apr 30 Jt. w/ Senate Ins.
Poll members when in Apr would they
quorum be available -

to have a quorum sometime during April.


FORWARD
E PLURIBUS UNUM

TO: Assembly Insurance, Securities and Corporate Policy Committee Members

FROM: Representative Sheryl Albers Albers

RE: Hearing on Clearinghous Rule 96-011

DATE: April 2, 1996

I have received a request from Representative Robson to hold a hearing on Clearinghouse Rule 96-011 relating to the 1996-97 premium rates for the health insurance risk-sharing plan. As you know, this rule, which will go into effect in July, raises the premiums from HIRSP participants by 28%.

Our review period on this rule ends on April 20th.

The next two regularly scheduled meeting days for the committee are April 18th and May 2nd.

Please call the committee clerk, Darcy at 6-8531 by the end of this week to let me know if either of these days will not work for you. I am also considering holding a hearing on this jointly with the Senate Insurance Committee on April 30th in Marshfield should they choose to hold a hearing on the rule.

FORWARD

April 2, 1996

Representative Judy Robson
124 N, State Capitol

Dear Representative Robson:

In response to your second request for a hearing on Clearinghouse Rule 96-011, I did some research on what the impact would be if this rule were held up and the premium increases due this July postponed.

The HIRSP actuary has estimated that for fiscal year 1997, the assessments on insurers for the HIRSP population will be approximately $22.4 million. Absent the premium increase to HIRSP enrollees in July, an additional $5 million to $8 million would be assessed on insurers for a total of $27 million to $30 million for fiscal year 1997.

Even if we did suspend the rules and the Joint Committee on Review of Administrative Rules was able to draft a bill and get it passed at the beginning of the up-coming session, the increased assessments on insurers would be staggering. I have even heard rumblings of insurers suing the state over the increased assessments should the premium increases fail to go into effect as is statutorily required.

I understand and share your concerns for the HIRSP program. I will poll Insurance Committee members to see when a hearing would be possible. If the Senate Insurance Committee also decides to hold a hearing on the rule, perhaps we can hold a joint hearing in Marshfield on April 30th.

Sincerely,

Sheryl K. Albers
State Representative
50th Assembly District


FORWARD

STATE
OF
WISCONSIN

OFFICE OF THE COMMISSIONER OF INSURANCE

121 East Wilson Street
P.O. Box 7873
Madison, WI 53707-7873
(608) 266-3585
FAX: (608) 266-9935

Telefax message cover sheet

TO: REPRESENTATIVE ALBERS

FAX: 7-0791

FROM: PETER FARROW, Insurance Administrator

SUBJECT: HIRSP - OCI rule (18.07)

Number of pages, including cover sheet: 3

Phone number of sender: (608) 266-0102 KATIE ORIEDO

If any pages need to be resent, please call the sender at this number. Otherwise, it is assumed this transmittal has been completely received. Thank you.

State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Tommy G. Thompson
Governor

Josephine W. Musser
Commissioner

121 East Wilson Street
P.O. Box 7873
Madison, Wisconsin 53707-7873
(608) 266-3585

April 9, 1996

DRAFT

Rep. Sheryl Albers
Chair,
Assembly Committee on Insurance, Securities and Corporate Policy
127 West, State Capitol
Madison, WI 53708

Dear Rep. Albers:

As you know, the OCI rule (Ins. 18.07) establishing premium rates for the Health Insurance Risk-Sharing Plan (HIRSP) has been forwarded to the Legislature for review. While you are reviewing this rule, I want to offer an update of HIRSP and answer a few of the questions that have been asked lately.

Ins 18.07 establishes the premiums, effective July 1, 1996, at an average level of 28% higher than current premiums. The increases are necessitated by sec. 619.145(5)(a) Wis. stats., which requires HIRSP premium rates for policyholders to be set at a level to recover 60% of plan costs. This provision was passed by the Legislature in 1991.

In my Jan. 24, 1996, letter to Assembly and Senate insurance committee members, I noted that I was required by statute to promulgate this premium rate increase. Along with that letter, I forwarded a copy of a report summarizing the history, current status and possible short-term solutions for HIRSP.

A number of questions have been raised over the last year regarding the implementation of managed care and cost containment tools in HIRSP. The HIRSP Board of Governors (Board) has wrestled with the feasibility of applying managed care to the HIRSP population, given existing statutes, for over five years. The Board began implementing managed care components in 1994 with the introduction of a preadmission review program and a hospital bill audit program.

In Dec. 1995, the Board approved a plan to implement a discount network for hospitals, mental health treatment and prescription drug purchases. These networks, which were introduced during March and April 1996, are anticipated to save an additional $2 million in plan costs per year. Without this network development, premiums increases for 1996 would have likely averaged 33%. I have been very pleased at the willingness of health care providers to join the HIRSP network and offer discounted services to policyholders.

In addition to these managed care and cost containment provisions, the current request for proposal for the HIRSP Administrative Services Contract requested bidders to propose more extensive provider networks in an effort to broaden managed care programs for HIRSP. These proposals are being reviewed by a review committee. I anticipate the Board will award the contract, effective

July 1, 1996, by the end of April. Depending on the proposals received, expansion to a full network is anticipated by Oct. 1, 1996.

Various reforms to HIRSP have been proposed over the last year. These reforms include AB 416, AB 1044, and a number of other proposals which my office has offered assistance in drafting. I believe that it is now clear that over the next year, a long-term solution for HIRSP will be discussed and proposed.

In the short term, however, because these proposed legislative changes have not yet been passed by Legislature, the changes to premiums proposed in Ins. 18.07 are required by statute. At your request, I have reviewed what would happen if the Committee chooses to reject Ins. 18.07 and the premium rate increases were not effected. It is unclear how the revenue, approximately $5 million, would be generated. Sec. 619.13(2) Wis. stats. does allow for funding of any deficit in the plan through insurer assessments. Given sec. 619.14(5)(a) Wis. stats., it is unclear, however, if the additional assessment would be allowed if legally challenged.

Thank you for your attention and concern regarding HIRSP. If you would like to discuss these issue further, please contact me or Peter Farrow, of my staff, at 266-0102.

Best regards,

Josephine W. Musser
Commissioner of Insurance

DRAFT


FORWARD
E PLURIBUS UNUM

Data prepared in February 1996 project total operating and administrative costs of HIRSP in the Fiscal Year beginning July 1 at $47.9 million. This projection assumes that HIRSP will accomplish managed care savings in the next fiscal year that will bring costs in at less than they are expected to be in this Fiscal Year.

The HIRSP rates to be implemented under Clearing House Rule No. 96-011 are set, under current statutes to fund 60 percent of the new Fiscal Year costs, which was projected in February 1996 at $28.6 million.

Of that $28.6 million to be funded by the rates to be set under the Clearing House Rule, out of pocket payments by HIRSP beneficiaries are projected at $25.1 million, and assessments on insurers for HIRSP subsidies are projected at $3.5 million to cover the remaining premium costs.

I do not know how the Legislature can, in good conscience, ignore the requirements of current statutes, which are quite clear. Setting aside the question of the duty to comply with statutes, the consequences of not implementing the rate increases are enormous.

Current rates, which are presently funding only 50 percent of HIRSP costs, would fund even less of those costs if costs of medical care continue to rise, or if projected managed care savings are not accomplished.

In Addison, without a rate increase, the February 1966 estimates project that HIRSP enrollments will rise and that total HIRSP operating and administrative costs will rise to $47.7 million.

Assessments on insurers to cover program deficits and to fund subsidies were projected in February 1996 at $22.4 million, with the rate increase.

Without the rate increase, at a conservative estimate, those assessments would need to be increased by at least $5 million to more than $27 million.

At a more pessimistic estimate, assessments could need to be increased by as much as $8 million to more than $30 million.

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