



2001 ASSEMBLY BILL 348

April 24, 2001 - Introduced by Representatives ALBERS, WADE, LOEFFELHOLZ, URBAN, GROTHMAN, NASS, HUBER, LASSA, LIPPERT and F. LASEE, cosponsored by Senators DARLING, COWLES, SCHULTZ, HARS DORF and LAZICH. Referred to Committee on Health.

1 **AN ACT** *to repeal* 149.10 (8b), 149.16 (1) and 149.16 (5); *to amend* 149.15 (3) (g);
2 and *to create* 149.15 (3) (g) 2., 149.16 (1m), 149.16 (3m), 149.16 (6) and 149.162
3 of the statutes; **relating to:** a competitive bidding process for administration
4 of the health insurance risk-sharing plan.

Analysis by the Legislative Reference Bureau

The health insurance risk-sharing plan (HIRSP) under current law provides major medical health insurance coverage for persons who are covered under medicare because they are disabled, persons who have tested positive for the human immunodeficiency virus, and persons who have been refused coverage, or coverage at an affordable price, in the private health insurance market because of their mental or physical health condition. Also eligible for coverage are persons who do not currently have health insurance coverage, but who were covered under certain types of health insurance coverage for at least 18 months in the past. HIRSP is administered by the department of health and family services (DHFS), in conjunction with a plan administrator and a board of governors (board). Under current law, the plan administrator is the same fiscal agent with which DHFS contracts to administer the medical assistance program.

This bill eliminates the requirement that the plan administrator be the fiscal agent for the medical assistance program and provides for a competitive, request-for-proposals process for selecting the plan administrator. Under the bill, the board must establish an oversight committee to assist in the selection process. The committee must develop and recommend to the board the request for proposals,

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which must specify and describe the work to be performed and the evaluation process and criteria that will be used in selecting the plan administrator. The bill lists the minimum specifications that the request for proposals must include. DHFS and the board must approve and prepare and issue the request for proposals that is actually used in the selection process. The committee must evaluate the proposals that are submitted in response to the request for proposals and may negotiate with, and request best and final offers from, up to three of the offerors that are the most likely to receive the contract for administration of HIRSP. After considering the recommendation of the committee on the selection of the plan administrator, DHFS and the board must award the contract for plan administration to the person that DHFS and the board determine offers the best combination of price and technical expertise. The administration contracts awarded under the process under the bill must have three-year terms running from July 1 to June 30, with the first contract under the new selection process beginning on July 1, 2002.

The bill provides that the plan administrator will be paid as provided in the contract for direct and indirect expenses that DHFS determines are incurred in the administration of HIRSP. The bill requires the plan administrator to submit regular reports on the operation of HIRSP to DHFS and the board. Since DHFS and the board select the plan administrator together in the process under the bill, the bill eliminates a provision in current law that requires DHFS to obtain the approval of the board before implementing any contract with the plan administrator.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 149.10 (8b) of the statutes is repealed.

2 **SECTION 2.** 149.15 (3) (g) of the statutes is amended to read:

3 149.15 (3) (g) 1. Establish oversight committees to address various
4 administrative issues, such as financial management of the plan and plan
5 administrator performance standards.

6 3. A representative of the department may not be the chairperson of any
7 committee established under this paragraph.

8 **SECTION 3.** 149.15 (3) (g) 2. of the statutes is created to read:

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1 149.15 (3) (g) 2. Establish one or more contract procurement oversight
2 committees to do all of the following with respect to the plan administrator selection
3 process under s. 149.162:

4 a. Develop and recommend to the board the request for proposals to be used to
5 solicit contract proposals. The board and the department must approve any request
6 for proposals used.

7 b. Evaluate the technical proposals and the accompanying cost proposals
8 submitted in response to a request for proposals.

9 c. Request and evaluate best and final offers under s. 149.162 (3) and undertake
10 any related negotiations needed to obtain the most advantageous combination of
11 price and technical expertise.

12 d. Recommend to the board the selection of a plan administrator and the award
13 of a contract for plan administration.

14 **SECTION 4.** 149.16 (1) of the statutes is repealed.

15 **SECTION 5.** 149.16 (1m) of the statutes is created to read:

16 149.16 (1m) The plan administrator shall be selected by the department and
17 the board together in the manner provided in s. 149.162 in a competitive,
18 request-for-proposals process.

19 **SECTION 6.** 149.16 (3m) of the statutes is created to read:

20 149.16 (3m) The plan administrator shall submit regular reports to the
21 department and to the board regarding the operation of the plan. The frequency,
22 content, and form of the reports shall be determined by the department and the
23 board.

24 **SECTION 7.** 149.16 (5) of the statutes is repealed.

25 **SECTION 8.** 149.16 (6) of the statutes is created to read:

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1 149.16 (6) The plan administrator shall be paid as provided in the contract for
2 plan administration for direct and indirect expenses that the department
3 determines are incurred by the plan administrator in the administration of the plan,
4 including all of the following:

5 (a) Printing costs.

6 (b) Claims administration costs.

7 (c) Management costs.

8 (d) Building overhead expenses.

9 (e) Other actual operating and administrative expenses.

10 **SECTION 9.** 149.162 of the statutes is created to read:

11 **149.162 Plan administrator selection process. (1)** Subject to s. 149.15 (3)
12 (g) 2. a., the department and the board shall prepare and issue a request for proposals
13 that specifies and describes the requirements for work to be performed under the
14 contract for administration of the plan and the form in which cost proposals must be
15 submitted, and that discloses the evaluation process and the evaluation criteria that
16 will be used to select the plan administrator.

17 **(2)** The request for proposals shall include, at a minimum, contract award
18 specifications related to all of the following:

19 (a) The offeror's demonstrated experience and ability to administer large group
20 health benefit plans.

21 (b) The offeror's technical proposal for performing the work required under the
22 contract, including descriptions and documentation of all of the following:

23 1. The technical capabilities of the offeror's computerized system of
24 administration.

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1 2. The qualifications of the offeror's management staff designated for
2 administration of the plan.

3 3. The range and scope of procedures and resources that will be used to perform
4 various functions and to provide various services under the contract, including, at
5 a minimum, functions and services related to all of the following:

6 a. Claims administration.

7 b. Policyholders.

8 c. The premium and deductible subsidy program.

9 d. Reporting.

10 e. Financial transactions, including collection of and accounting for plan
11 revenues.

12 f. The plan budget and reconciliation.

13 g. Other plan administration.

14 (c) The offeror's cost proposal for performing the work required under the
15 contract.

16 **(3)** After initially evaluating the proposals submitted, the committee
17 established under s. 149.15 (3) (g) 2. for this purpose may enter into negotiations
18 with, and request best and final offers from, no more than 3 of the offerors that are
19 the most likely to receive the contract to administer the plan. After receiving any
20 best and final offers and completing the final evaluation, the committee shall
21 recommend to the board the selection of a plan administrator. Taking the
22 recommendation into consideration, the department and board shall award a
23 fixed-price contract to the person submitting the proposal that the department and
24 board determine offers the most advantageous combination of price and technical
25 expertise.

