

1997-98 SESSION
COMMITTEE HEARING
RECORDS

Committee Name:

*Joint Committee for
Review of
Administrative Rules
(JCR-AR)*

Sample:

- Record of Comm. Proceedings
- 97hrAC-EdR_RCP_pt01a
- 97hrAC-EdR_RCP_pt01b
- 97hrAC-EdR_RCP_pt02

- Appointments ... Appt
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- Miscellaneous ... Misc
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— JCRAR Executive Session
February 20, 1997



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

**Testimony relating to Emerg. Rule Ins 18.07(5)(b)
before the Joint Committee for Review of Administrative Rules
offered by Peter Farrow, Insurance Administrator,
Office of the Commissioner of Insurance
on February 20, 1997**

Good morning Co-Chairs Grobschmidt and Grothman and members of the Committee. I want to thank you for the opportunity to offer testimony regarding OCI's request for an extension of Emergency Rule Ins 18.07(5)(b).

This rule implements a decrease in premium rates for policyholders of the Health Insurance Risk Sharing Plan (HIRSP). A permanent rule with identical language, Clearinghouse Rule 96-153, is currently pending in the Legislature. As part of this testimony, I am submitting testimony which Commissioner Musser presented before the Assembly Committee on Insurance, Securities, and Corporate Policy earlier this month regarding the rule.

It is my understanding that the committees will complete their review period for the permanent rule next week without action and that the rule will likely be published with an effective date of May 1, 1997. The current emergency rule expires on February 27. OCI's request for a 60 day extension would cover the period necessary for the publication of the permanent rule.

I would be happy to answer any questions the committee may have. Thank you again for the opportunity to offer this testimony.



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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Testimony relating to CR 96-153
before the Assembly Committee on Insurance, Securities, and Corporate Policy
offered by Josephine W. Musser, Commissioner of Insurance
on February 6, 1997

Good morning. Thank you, Chairperson Lorge and members of the Committee for the opportunity to provide testimony on the Office of the Commissioner of Insurance (OCI) pending rule to reduce HIRSP premiums.

My presence here today is partially a response to the activities of the Insurance Committee and the Legislature during the last session. As you know, each year the HIRSP Board of Governors and the HIRSP consulting actuary review the premium schedule. Last year, HIRSP faced the unpleasant prospect of increasing premiums an average of 28 percent, effective July 1, 1997. The increase was needed to be able to meet the statutory requirement that premiums cover 60 percent of plan costs.

In response to concerns about the size of the premium increase, the Legislature passed 1995 Wisconsin Act 463. The bill allocated \$1.5 million (GPR) to OCI for the current fiscal year to provide subsidies of HIRSP premiums for policyholders with household incomes between \$20,000 and \$40,000. The intent of that law was to dampen the effects of that rate increase for middle income policyholders. Remember that HIRSP policyholders with a family income below \$20,000 were previously eligible for a substantial subsidy.

With this new funding, the HIRSP Board has created three new subsidy categories for the current rate year. Policyholders with household incomes between \$20,000 and \$24,999 will

pay premiums at approximately 163 percent of the standard market rate for a similar policy sold by an average insurer. Policyholders with household incomes between \$25,000 and \$29,999 will pay premiums at approximately 174 percent of the standard market rate. Policyholders with household incomes between \$30,000 and \$39,999 will pay premiums at 188 percent of the standard market rate. These three categories will, on average, reduce premiums across the entire income band to 174 percent of the standard market rate, the same level as FY 96 premiums. Every policyholder was informed of the new subsidy category in a special mailing, as well as in regular newsletters. To date, approximately 1700 newly eligible policyholders have been added to the subsidy program, less than our original estimate of 2700.

Despite the new subsidy plan the Legislature created, I directed HIRSP staff to continue to look for ways to lower costs both of HIRSP in general, and for policyholders.

As we were preparing the new subsidized rates, two important issues arose regarding the current HIRSP premium structure.

A technical problem with calculating the cost of the existing subsidy was discovered. Fortunately the reporting methodology was caught and could be corrected before it had a significant impact on policy premiums. HIRSP staff reviewed figures for prior years and concluded that the neither policyholder premiums, nor insurer assessments, would have been significantly affected. In actuality rates in FY 1996 recovered closer to the required 60 percent of costs than originally estimated. Our original reports for FY96 indicated that policyholder premiums had recovered 51 percent of plan costs; with the corrected records, premiums actually accounted for approximately 57 percent of plan costs.. We have put in place procedures to ensure this type of error will not occur again. In addition, I requested an audit of plan procedures to be conducted much in the same way we conduct examinations on insurance companies for compliance with state law.

The second issue arose during a review of the year-to-date cost trend. In December 1995, when we established premiums for this rate year, plan actuaries based new premiums on an assumption that increasing costs would require the 28 percent rate increase. With the ability to review much more complete data, costs appear to be increasing more slowly than projected. This change in trend is, in part, a reflection of cost containment measures, such as the

preferred provider network, implemented by the HIRSP Board. Provider networks have been implemented for hospital, mental health, and prescription services. A physician network will also be implemented later this year, most likely on April 1.

In Act 463, OCI was also given the authority to change HIRSP premiums by emergency rule. This greatly aids our rate setting process by allowing the HIRSP Board of Governors and their contracted actuary to use the most current cost and enrollment data when establishing a premium structure, enabling them to be more accurate in their forecasting.

These two factors that I have discussed were reviewed, and indicated that premiums for the current year could be adjusted downward from what was an average rate increase of 28 percent, to an average increase of 16 percent for the year. Given the concern that many policymakers, including Governor Thompson, legislators and myself, have over HIRSP policyholder premiums, I recommended that the HIRSP premiums be lowered. The HIRSP Board of Governors voted to recommend a reduction of the 1996-97 average rate increase effective October 1, 1996. OCI issued an emergency rule to implement the revised rate structure and the rule before you today makes the new rate structure permanent.

Policyholders have generally responded positively to the announced changes in HIRSP. And I am happy to report that HIRSP's cost trend for the current rate year continues to be lower than in recent years. We anticipate only minor rate increases for the next premium year, as well as significantly lower assessments on health insurers.

As you know, Secretary LEEAN and I were required to issue a report to the Legislature on HIRSP. Last week, the Secretary and I forwarded a memo to legislators informing you that the report will be issued to coincide with the introduction of the Governor's budget next week. In addition, we have scheduled a briefing for February 13th to walk through the changes we will propose at that time. I hope that you will be able to join us.

Thank you again for the opportunity to testify today. I would be happy to respond to any questions you may have.



JOINT COMMITTEE FOR REVIEW OF ADMINISTRATIVE RULES

February 20, 1997

TO: All Legislators
FROM: Senator Richard Grobschmidt and Representative Glenn Grothman
RE: Legislation to revise JCRAR review of emergency rules (LRB 1862 & LRB 1935)

The issuance of emergency rules by state agencies is a lesser known but significant part of agency policymaking.

Because the use of emergency rules allows state agencies to put regulatory policies into effect immediately, without prior public or legislative hearings or comment periods, we believe that the legislative oversight that occurs after emergency rules are adopted is all the more important

It is our belief that the procedural revisions in our proposal will increase legislative and public awareness of the existence of emergency rules, help coordinate JCRAR review of extension requests with the standing committees that are reviewing the companion permanent rules, and will increase the legislature's ability to exercise oversight of this type of rulemaking.

For additional information about the our proposal the LRB analysis reproduced on the back of this page. If you would like to cosponsor both LRB 1862 and LRB 1935, please contact the office of Senator Grobschmidt at 266-7505, or Representative Grothman at 264-8486 by Monday, March 3rd.

- 1) Brings emergency rule ~~extension~~ process into legislature's record keeping system.
- 2) Coordinates JCRAR review of extensions with standing committees
- 3) Allows JCRAR to extend portions of rule currently committee only has the option to extend the whole rule.

Analysis by the Legislative Reference Bureau

Under current law, a state agency may promulgate a rule as an emergency rule without complying with the notice, hearing and publication requirements normally required for rule promulgation if preservation of the public peace, health, safety or welfare necessitates putting the rule into effect prior to the time that it would take effect if the state agency complied with the requirements. An emergency rule remains in effect for 150 days, unless the emergency rule is extended by the joint committee for review of administrative rules (JCRAR). Under certain conditions, JCRAR, at the request of a state agency, may extend the emergency rule's effective period for a period specified by JCRAR not to exceed 60 days. Any number of extensions may be granted by JCRAR, but the total period for all such extensions may not exceed 120 days. Under current law, JCRAR is only authorized to extend the *entire* emergency rule and not *part* of the emergency rule.

This bill authorizes JCRAR to extend part of an emergency rule, while not extending the other parts of the emergency rule. In addition, the bill provides that any request by an agency to extend the effective period of the emergency rule or part of the emergency rule must be made in writing to JCRAR no later than 30 days before the initial expiration date of the emergency rule. At the time that the agency submits the written request to JCRAR, the agency must submit a copy of the written request to the presiding officer of each house of the legislature and to the appropriate committees of each house of the legislature, as determined by the presiding officer of each house of the legislature. The presiding officer of each house of the legislature is then required to enter a statement in the journal of his or her house that the agency has submitted a request to extend the effective period of the emergency rule or part of the emergency rule. The bill also provides that, whenever JCRAR extends an emergency rule or part of an emergency rule, JCRAR must file a statement of its action with the presiding officer of each house of the legislature and the appropriate committees of each house of the legislature, as determined by the presiding officer of each house of the legislature. The presiding officer of each house of the legislature must then enter a statement in the journal of his or her house that the emergency rule or part of the emergency rule has been extended. Finally, the bill requires that, at the time of promulgating an emergency rule, the agency must file a copy of the rule with the chief clerk of each house of the legislature.

SENATOR RICHARD GROBSCHMIDT
CO-CHAIRMAN

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Madison, WI 53707
Phone: 608-266-7505



REPRESENTATIVE GLENN GROTHMAN
CO-CHAIRMAN

Room 125 West, • State Capitol
Madison, WI 53703
Phone: 608-264-8486

JOINT COMMITTEE FOR
REVIEW OF ADMINISTRATIVE RULES

February 24, 1997

Josephine Musser, Commissioner
Office of the Commissioner of Insurance
121 E. Wilson Street
Madison, WI 53707

Dear Commissioner Musser:

The Joint Committee for the Review of Administrative Rules met in Executive Session on February 20, 1997 and adopted the following motion:

Moved by Representative Grothman, seconded by Senator Grobschmidt that, pursuant to s. 227.24(2)(a), Stats., the Joint Committee for Review of Administrative Rules extend the effective date of Ins 18.07(5)(b) by 60 days, at the request of the Office of the Commissioner of Insurance.

Motion Carried: Extension Granted.
10 Ayes, 0 Noes, 0 Absent.

Pursuant to s. 227.24(2)(c) Stats, we are notifying the Secretary of State and the Revisor of Statutes of the Committee's action through copies of this letter.

Sincerely,

RICHARD GROBSCHMIDT
Senate Co-Chair

GLENN GROTHMAN
Assembly Co-Chair

RG:GSG:swk

cc: Secretary of State La Follette
Revisor of Statutes Gary Poulson

SENATOR RICHARD GROBSCHMIDT
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CO-CHAIRMAN

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JOINT COMMITTEE FOR
REVIEW OF ADMINISTRATIVE RULES

February 24, 1997

Michael J. Sullivan, Secretary
Department of Corrections
149 East Wilson Street
Madison, WI 53707-7925

Dear Secretary Sullivan:

The Joint Committee for the Review of Administrative Rules met in Executive Session on February 20, 1997 and adopted the following motion:

Moved by Representative Grothman, seconded by Senator Grobschmidt that, pursuant to s. 227.24(2)(a), Stats., the Joint Committee for Review of Administrative Rules extend the effective date of DOC 309.05(2)(d) by 60 days, at the request of the Department of Corrections.

Motion Carried: Extension Granted.
10 Ayes, 0 Noes, 0 Absent.

Pursuant to s. 227.24(2)(c) Stats, we are notifying the Secretary of State and the Revisor of Statutes of the Committee's action through copies of this letter.

Sincerely,

RICHARD GROBSCHMIDT
Senate Co-Chair

GLENN GROTHMAN
Assembly Co-Chair

RG:GSG:swk

cc: Secretary of State La Follette
Revisor of Statutes Gary Poulson

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JOINT COMMITTEE FOR
REVIEW OF ADMINISTRATIVE RULES

February 24, 1997

Alan Tracy, Secretary
Department of Agriculture, Trade, and Consumer Protection
2811 Agriculture Drive
Madison, WI 53704

Dear Secretary Tracy:

The Joint Committee for the Review of Administrative Rules met in Executive Session on February 20, 1997 and adopted the following motion:

Moved by Representative Grothman, seconded by Senator Grobschmidt that, pursuant to s. 227.24(2)(a), Stats., the Joint Committee for Review of Administrative Rules extend the effective date of ATCP 139.04(11) by 60 days at the request of the Department of Agriculture, Trade, and Consumer Protection.

Motion Carried: Extension Granted.
10 Ayes, 0 Noes, 0 Absent.

Pursuant to s. 227.24(2)(c) Stats, we are notifying the Secretary of State and the Revisor of Statutes of the Committee's action through copies of this letter.

Sincerely,


RICHARD GROBSCHMIDT
Senate Co-Chair

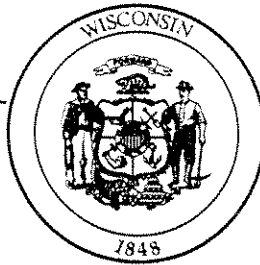

GLENN GROTHMAN
Assembly Co-Chair

RG:GSG:swk

cc: Secretary of State La Follette
Revisor of Statutes Gary Poulson

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JOINT COMMITTEE FOR
REVIEW OF ADMINISTRATIVE RULES

February 24, 1997

Linda Stewart, Secretary
Department of Workforce Development
201 East Washington Avenue
Madison, WI 53707-7946

Dear Secretary Stewart:

The Joint Committee for the Review of Administrative Rules met in Executive Session on February 20, 1997 and adopted the following motion:

Moved by Representative Grothman, seconded by Senator Welch that, pursuant to s. 227.24(2)(a), Stats., the Joint Committee for Review of Administrative Rules extend the effective date of HSS 201.135 by 60 days, at the request of the Department of Workforce Development.

Motion Carried: Extension Granted.
10 Ayes, 0 Noes, 0 Absent.

Moved by Senator Welch, seconded by Senator Grobschmidt that, pursuant to s. 227.24(2)(a), Stats., the Joint Committee for Review of Administrative Rules extend the effective date of DWD 272 by 60 days at the request of the Department of Workforce Development.

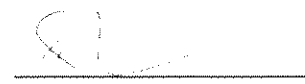
Motion Carried: Extension Granted.
7 Ayes, 3 Noes, 0 Absent.

Senator Wirch asked unanimous consent to be recorded as voting "Aye" on the motion. Granted.

Pursuant to s. 227.24(2)(c) Stats, we are notifying the Secretary of State and the Revisor of Statutes of the Committee's action through copies of this letter.

Sincerely,


RICHARD GROBSCHMIDT
Senate Co-Chair


GLENN GROTHMAN
Assembly Co-Chair

RG:GSG:swk

cc: Secretary of State La Follette
Revisor of Statutes Gary Poulson