1999 DRAFTING REQUEST

Bill

Received: **11/29/1999**

Received By: **kahlepj**

Wanted: **As time permits**

Identical to LRB:

For: **Health and Family Services 6-3262**

By/Representing: **Kevin Lewis**

This file may be shown to any legislator: **NO**

Drafter: **kahlepj**

May Contact:

Alt. Drafters:

Subject: **Insurance - health**

Extra Copies:

Pre Topic:

No specific pre topic given

Topic:

Premium rates for persons who are eligible for medicare

Instructions:

See Attached

Drafting History:

Vers.	Drafted	Reviewed	Typed	Proofed	Submitted	Jacketed	Required
/?	kahlepj 12/14/1999	chanaman 12/14/1999		_____ _____			State
/1			jfrantze 12/14/1999	_____ _____	lrb_docadmin 12/14/1999		State
/2	kahlepj 01/04/2000	chanaman 01/05/2000	martykr 01/05/2000	_____ _____	lrb_docadmin 01/05/2000	lrb_docadmin 01/12/2000	State
/3	kahlepj 01/13/2000	chanaman 01/27/2000	jfrantze 01/27/2000	_____ _____	lrb_docadmin 01/27/2000	lrb_docadmin 01/27/2000	State
/4	kahlepj	chanaman	martykr	_____	lrb_docadmin	lrb_docadmin	

Vers.	Drafted	Reviewed	Typed	Proofed	Submitted	Jacketed	Required
	02/01/2000	02/02/2000	02/02/2000	_____	02/02/2000	02/02/2000	

FE Sent For: 02-15-00 "4"

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/3	kahlepj 01/13/2000	chanaman 01/27/2000	jfrantze 01/27/2000	_____ _____	lrb_docadmin 01/27/2000	lrb_docadmin 01/27/2000	

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/2	kahlepj 01/04/2000	chanaman 01/05/2000	martykr 01/05/2000	_____ _____	lrb_docadmin 01/05/2000	lrb_docadmin 01/12/2000	

FE Sent For: cm# 1/27 /3 1/27 1/27 <END>

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Bill

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Wanted: **As time permits**

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By/Representing: **Kevin Lewis**

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Pre Topic:

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FE Sent For:

<END>

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Extra Copies:

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/1		cmh 1/5 /2	jfrantze 12/14/1999	_____ _____	lrb_docadmin 12/14/1999		

FE Sent For:

<END>

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Subject: **Insurance - health**

Extra Copies:

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Vers.	Drafted	Reviewed	Typed	Proofed	Submitted	Jacketed	Required
/?	kahlepj	cmh /\ 12/14	12/14	12/14			

FE Sent For:

<END>

Kahler, Pam

From: Lewis, Kevin
Sent: Sunday, November 28, 1999 5:54 PM
To: Kahler, Pam
Cc: Chao, Richard; Kiesow, John; Kristan, Margaret; Boroniec, Priscilla; Dombrowicki, Angela; Ryan, Daniel; Vavra, James
Subject: Change to HIRSP Plan 2 Premium Calculations

Pam,

DHFS and the HIRSP Board of Governors would like to pursue a change to Chapter 149 to address an issue that came up at the last JCRAR meeting on November 18. Below is some background to the issue, followed by some brief drafting instructions. The Senate Health (etc.) Committee is taking up the permanent rules on Wednesday, Dec. 1, and so if it is possible to complete a LRB draft by Wednesday noon, I am confident that the Committee would be quite supportive and we could accelerate the process of considering the resulting bill.

Background:

The State's Health Insurance Risk Sharing Plan offers two basic plans of coverage: "Plan 1" is the general major medical expense coverage, while "Plan 2" refers to the HIRSP plan available to persons eligible for Medicare as directed under s. 149.14(2)(b). It is also important to note that Plan 1, in compliance with HIPAA, offers a choice of coverage with differing deductibles and premium rates.

Current statutory language requires that in general HIRSP premiums be set at no less than 150% and no greater than 200% of the rate that a standard risk would be charged under an individual policy providing substantially the same coverage and deductibles as are provided under HIRSP.

Plan 1 premiums, in accordance with the statutes, have always been based upon the "standard risk rate." However, Plan 2 premiums have not been set based upon the "standard risk rate," because until November 1999 there had never been established a comparable standard market policy ("providing substantially the same coverage and deductibles as are provided under the plan"). The HIRSP Board of Governors has always reviewed and approved Plan 2 premiums in relation to Plan 1 premiums based upon Plan 2 claims costs as they have related to Plan 1 claims costs.

This past summer, Sen. Robson requested an actuarial study to check for the existence of a standard market individual policy that is comparable to what HIRSP offers under Plan 2. After applying a significant benefit level adjustment factor to account for the vast discrepancy in deductibles and co-insurance required in the standard market policies for pharmaceuticals, the actuarial study found such a comparison. (The study found that Plan 2 premiums would need to be increased by approximately 66% in order to be at the lowest level permitted by law, i.e., at 150% of the standard risk rate.)

As a result of identifying such a comparison in the standard market (despite the need to apply a significant benefit adjustment factor), the Legislative Council has found that the requirement to set premiums in the manner prescribed under s. 149.143 applies to both Plan 1 and Plan 2 policies.

Drafting Request:

DHFS and the HIRSP Board of Governors are requesting a bill draft that would amend the HIRSP statutes as follows:

1. Eliminate the requirement that Plan 2 premiums be set based upon a "standard risk rate."

2. Allow the program to have the discretion, responsibility and authority to set HIRSP Plan 2 premiums based upon such factors such as enrollment, claims costs, industry trends, and others as deemed appropriate.

[This proposal does not alter the current distribution of plan funding. (After applying the available GPR, 60% of the remaining amount covered by policyholder premiums, and 40% shared by insurers through assessments and providers through reduced payment rates.) Plan costs will continue to be reconciled in accord with the current distribution of plan funding.]

Please let me know if you would like more information or have any questions. I can be reached at 266-3262. Thank you.

Kevin Lewis
Legislative Liaison
DHFS

STATE OF WISCONSIN – LEGISLATIVE REFERENCE BUREAU – LEGAL SECTION
(608–266–3561)

Kevin Lewis DHFS 6-7882
6-3262

change rates in HIRSP

Plan I (HIRSP) generally — Plan II medicare persons

2 deductibles

before, 50% of other premiums
then 66%

should always be lower

Kahler, Pam

From: Kevin Lewis [LEWISKA@dhfs.state.wi.us]
Sent: Friday, December 03, 1999 11:50 AM
To: Pam Kahler; Pam.Kahler@legis.state.wi.us
Subject: HIRSP Plan 2


Plan 2 leg changes.doc

Pam,

Thank you for the redraft of a solution to the Plan 2 rate issue. The version you sent on 12/1/99 seems to implement the change that we discussed earlier in the week.
If possible, we would like to also craft another approach for consideration, one that would grant both the Department and the Board even greater flexibility in establishing the rates. In setting Plan 2 rates, we would like Chapter 149 to give us the ability to consider Plan 2 enrollment and "other economic factors that the department and the board consider germane."

I also wonder whether the draft should refer to those eligible (either for medicare or otherwise) or would it be better to reference those who are covered either under s. 149.14(2)(a) or (b)?

The suggested language offered below incorporates both the greater flexibility and the alternative way to define the groupings of policyholders. We defer to you on how best to craft this alternative.

Just so you know, the draft you sent over on Wednesday will be judged side by side with this new version I am now requesting.

Thank you.

December 3, 1999

TO: Pam Kahler, LRB
FROM: Kevin Lewis, DHFS
RE: HIRSP Plan 2 Rates

Suggested alternative (without all the necessary references in other parts of the Chapter):

s. 149.143(1)(b)1.a. First, from premiums from eligible persons with coverage under s. 149.14(2)(a) set at 150% of the rate that a standard risk would be charged under an individual policy providing substantially the same coverage and deductibles as are provided under the plan, and from premiums from eligible persons with coverage under s. 149.14(2)(b) set according to sub. (1m), including amounts received for premium and deductible subsidies under ss. 20.435(5)(ah) and 149.144, and from premiums collected from eligible persons with coverage under s. 149.146 set in accordance with s. 149.146(2)(b).

149.143(1)(b)1.c. Third, by increasing premiums from eligible persons with coverage under s. 149.14(2)(a) to more than 150% but not more than 200% of the rate that a standard risk would be charged under an individual policy providing substantially the same coverage and deductibles as are provided under the plan, including amounts received for premium and deductible subsidies under ss. 20.435(5)(ah) and 149.144, and by increasing premiums from eligible persons with coverage under s. 149.14(2)(b) in accordance with sub. (1m) and under 149.146 in accordance with s. 149.146(2)(b), to the extent that the amounts under subd. 1.a. and b. are insufficient to pay 60% of plan costs.

149.143(1m) of the statutes is created to read:
149.143(1m)The department in consultation with the board shall establish the premium rates for coverage under s. 149.14(2)(b) in accordance with the following factors:

a) The amount of covered expenses paid by the plan in the previous calendar year on behalf of persons with coverage under s. 149.14(2)(b) relative to the amount of covered expenses paid by the plan in the previous calendar year on behalf of persons with coverage under s. 149.14(2)(a), and then applying this same percentage of premium rates to the rates established under s. 149.143(1)(b) for those covered under s. 149.14(2)(a).
b) The enrollment levels of persons with coverage under s. 149.14(2)(b).
c) Other economic factors that the department and the board consider germane.

can't because still other factors to consider

State of Wisconsin

LEGISLATIVE REFERENCE BUREAU

100 NORTH HAMILTON STREET
P. O. BOX 2037
MADISON, WI 53701-2037

STEPHEN R. MILLER
CHIEF

LEGAL SECTION: (608) 266-3561
LEGAL FAX: (608) 264-8522

REFERENCE SECTION: (608) 266-0341
REFERENCE FAX: (608) 266-5648

FAX TRANSMITTAL COVER SHEET

Date: 12–7–99 Time: 12:15 p.m.

Total pages transmitted, including this page: 4

Please deliver this FAX to: Kevin Lewis

Telephone Number: 6–3262

FAX Number: 6–7882

MESSAGE: Kevin: Here is the other language. I wanted to keep the language related to how premiums are determined for medicare–eligible persons in s. 149.14 to be parallel with the location of the premium determination for persons with coverage under s. 149.146. Next, I did not include any language in s. 149.14 (5m) about applying the same percentage, etc., because it does not seem to make sense there if the other factors can still be taken into account, i.e., enrollment levels and other economic factors. It seemed to me that what you were getting at was that the premium increase under s. 149.143 (1) (b) 1. c. should be the same percentage for both types of coverage under s. 149.14, but I may be entirely wrong. Let me know.

Sent by:
Name: Pam Kahler

If there are any problems with this FAX, please call (608) 266–2682.

State of Wisconsin
1999 – 2000 LEGISLATURE

LRB–4027/?
PJK...:...:...

PRELIMINARY DRAFT – NOT READY FOR INTRODUCTION

1 AN ACT ...; **relating to:** premium rates for coverage under the health insurance
2 risk–sharing plan for persons who are eligible for medicare.

Analysis by the Legislative Reference Bureau

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

3 SECTION 1. 149.14 (5m) of the statutes is created to read:

4 149.14 **(5m)** PREMIUM RATES. The department, in consultation with the board,
5 shall establish premium rates for the coverage provided under sub. (2) (b) on the
6 basis of the following factors:

7 (a) The amount of covered expenses paid by the plan in the previous calendar
8 year on behalf of persons with coverage provided under sub. (2) (b) in comparison to
9 the amount of covered expenses paid by the plan in the previous calendar year on
10 behalf of persons with coverage provided under sub. (2) (a).

(b) The enrollment level of persons with coverage provided under sub. (2) (b).

(c) Any other economic factors that the department and board consider relevant.

SECTION 2. 149.143 (1) (b) 1. a. of the statutes is amended to read:

149.143 (1) (b) 1. a. First, from premiums from eligible persons with coverage under s. 149.14 (2) (a) set at 150% of the rate that a standard risk would be charged under an individual policy providing substantially the same coverage and deductibles as are provided under the plan and from premiums from eligible persons with coverage under s. 149.14 (2) (b) set in accordance with s. 149.14 (5m), including amounts received for premium and deductible subsidies under ss. 20.435 (5) (ah) and 149.144, and from premiums collected from eligible persons with coverage under s. 149.146 set in accordance with s. 149.146 (2) (b).

History: 1997 a. 27.

SECTION 3. 149.143 (1) (b) 1. c. of the statutes is amended to read:

149.143 (1) (b) 1. c. Third, by increasing premiums from eligible persons with coverage under s. 149.14 (2) (a) to more than 150% but not more than 200% of the rate that a standard risk would be charged under an individual policy providing substantially the same coverage and deductibles as are provided under the plan and from eligible persons with coverage under s. 149.14 (2) (b) by the same percentage as the premiums for persons with coverage under s. 149.14 (2) (a) are increased, including amounts received for premium and deductible subsidies under ss. 20.435 (5) (ah) and 149.144, and by increasing premiums from eligible persons with coverage under s. 149.146 in accordance with s. 149.146 (2) (b), to the extent that the amounts under subd. 1. a. and b. are insufficient to pay 60% of plan costs.

History: 1997 a. 27.

SECTION 4. 149.143 (2) (a) 2. of the statutes is amended to read:

1 149.143 (2) (a) 2. After making the determinations under subd. 1., by rule set
2 premium rates for the new plan year, including the rates under s. 149.146 (2) (b), in
3 the manner specified in sub. (1) (b) 1. a. and c. and such that a rate for coverage under
4 s. 149.14 (2) (a) is not less than 150% nor more than 200% of the rate that a standard
5 risk would be charged under an individual policy providing substantially the same
6 coverage and deductibles as are provided under the plan.

History: 1997 a. 27.

7 SECTION 5. 149.146 (2) (b) (intro.) of the statutes is amended to read:

8 149.146 (2) (b) (intro.) The schedule of premiums for coverage under this
9 section shall be promulgated by rule by the department, as provided in s. 149.143.
10 The rates for coverage under this section shall be set such that they differ from the
11 rates for coverage under s. 149.14 (2) (a) by the same percentage as the percentage
12 difference between the following:

History: 1997 a. 27 ss. 4860c, 4860d; Stats. 1997 s. 149.146; 1997 a. 237.

13 SECTION 6. 149.146 (2) (b) 1. of the statutes is amended to read:

14 149.146 (2) (b) 1. The rate that a standard risk would be charged under an
15 individual policy providing substantially the same coverage and deductibles as
16 provided under s. 149.14 (2) (a) and (5) (a).

History: 1997 a. 27 ss. 4860c, 4860d; Stats. 1997 s. 149.146; 1997 a. 237.

17 SECTION 7. 149.165 (1) of the statutes is amended to read:

18 149.165 (1) Except as provided in s. 149.146 (2) (a), the department shall
19 reduce the premiums established under s. 149.11 in conformity with ss. 149.14 (5m),
20 149.143 and 149.17, for the eligible persons and in the manner set forth in subs. (2)
21 and (3).

History: 1985 a. 29; 1987 a. 27; 1987 a. 312 s. 17; 1991 a. 39; 1997 a. 27 ss. 4889 to 4894; Stats. 1997 s. 149.165.

22 (END)

State of Wisconsin
1999 – 2000 LEGISLATURE

LRB–4004/?
PJK...:...:...

PRELIMINARY DRAFT – NOT READY FOR INTRODUCTION

1 AN ACT ...; **relating to:** premium rates for coverage under the health insurance
2 risk–sharing plan for persons who are eligible for medicare.

Analysis by the Legislative Reference Bureau

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

3 SECTION 1. 149.14 (5m) of the statutes is created to read:

4 149.14 **(5m)** PREMIUM RATES. For the coverage required under this section,
5 premium rates charged to persons with coverage under sub. (2) (b) shall differ from
6 the rates charged to persons with coverage under sub. (2) (a) by the same percentage
7 as the percentage difference between the following:

8 (a) The amount of covered expenses paid by the plan in a year on behalf of
9 persons with coverage under sub. (2) (b).

10 (b) The amount of covered expenses paid by the plan in a year on behalf of
11 persons with coverage under sub. (2) (a).

****NOTE: Kevin: Would you prefer that this say "in the previous calendar year", instead of "in a year"?

1 **SECTION 2.** 149.143 (1) (b) 1. a. of the statutes is amended to read:

2 149.143 **(1)** (b) 1. a. First, from premiums from eligible persons with coverage
3 under s. 149.14 (2) (a) set at 150% of the rate that a standard risk would be charged
4 under an individual policy providing substantially the same coverage and
5 deductibles as are provided under the plan and from eligible persons with coverage
6 under s. 149.14 (2) (b) set in accordance with s. 149.14 (5m), including amounts
7 received for premium and deductible subsidies under ss. 20.435 (5) (ah) and 149.144,
8 and from premiums collected from eligible persons with coverage under s. 149.146
9 set in accordance with s. 149.146 (2) (b).

History: 1997 a. 27.

10 **SECTION 3.** 149.143 (1) (b) 1. c. of the statutes is amended to read:

11 149.143 **(1)** (b) 1. c. Third, by increasing premiums from eligible persons with
12 coverage under s. 149.14 (2) (a) to more than 150% but not more than 200% of the rate
13 that a standard risk would be charged under an individual policy providing
14 substantially the same coverage and deductibles as are provided under the plan and
15 from eligible persons with coverage under s. 149.14 (2) (b) by a comparable amount
16 in accordance with s. 149.14 (5m), including amounts received for premium and
17 deductible subsidies under ss. 20.435 (5) (ah) and 149.144, and by increasing
18 premiums from eligible persons with coverage under s. 149.146 in accordance with
19 s. 149.146 (2) (b), to the extent that the amounts under subd. 1. a. and b. are
20 insufficient to pay 60% of plan costs.

History: 1997 a. 27.

21 **SECTION 4.** 149.143 (2) (a) 2. of the statutes is amended to read:

22 149.143 **(2)** (a) 2. After making the determinations under subd. 1., by rule set
23 premium rates for the new plan year, including the rates under s. 149.146 (2) (b), in

1 the manner specified in sub. (1) (b) 1. a. and c. and such that a rate for coverage under
2 s. 149.14 (2) (a) is not less than 150% nor more than 200% of the rate that a standard
3 risk would be charged under an individual policy providing substantially the same
4 coverage and deductibles as are provided under the plan.

History: 1997 a. 27.

5 **SECTION 5.** 149.146 (2) (b) (intro.) of the statutes is amended to read:

6 149.146 **(2)** (b) (intro.) The schedule of premiums for coverage under this
7 section shall be promulgated by rule by the department, as provided in s. 149.143.
8 The rates for coverage under this section shall be set such that they differ from the
9 rates for coverage under s. 149.14 (2) (a) by the same percentage as the percentage
10 difference between the following:

History: 1997 a. 27 ss. 4860c, 4860d; Stats. 1997 s. 149.146; 1997 a. 237.

11 **SECTION 6.** 149.146 (2) (b) 1. of the statutes is amended to read:

12 149.146 **(2)** (b) 1. The rate that a standard risk would be charged under an
13 individual policy providing substantially the same coverage and deductibles as
14 provided under s. 149.14 (2) (a) and (5) (a).

History: 1997 a. 27 ss. 4860c, 4860d; Stats. 1997 s. 149.146; 1997 a. 237.

****NOTE: Is this change okay?

15 **SECTION 7.** 149.165 (1) of the statutes is amended to read:

16 149.165 **(1)** Except as provided in s. 149.146 (2) (a), the department shall
17 reduce the premiums established under s. 149.11 in conformity with ss. 149.14 (5m),
18 149.143 and 149.17, for the eligible persons and in the manner set forth in subs. (2)
19 and (3).

History: 1985 a. 29; 1987 a. 27; 1987 a. 312 s. 17; 1991 a. 39; 1997 a. 27 ss. 4889 to 4894; Stats. 1997 s. 149.165.

20 **(END)**

State of Wisconsin
1999 – 2000 LEGISLATURE

LRB–4004/1
PJK...:...:...
cmH

PRELIMINARY DRAFT – NOT READY FOR INTRODUCTION

Tues pm (if possible) or Wed am

gen cat

1 AN ACT ..; **relating to:** premium rates for coverage under the health insurance
2 risk–sharing plan for persons who are eligible for medicare.

Analysis by the Legislative Reference Bureau

The health insurance risk–sharing plan (HIRSP) provides health insurance coverage for persons who are covered under medicare because they are disabled, persons who have tested positive for human immunodeficiency virus (HIV) 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 offers its enrollees who are not eligible for medicare an annual choice of coverage option. For persons who are eligible for medicare, HIRSP provides an alternative policy that reduces the benefits payable by the amounts paid under medicare.

Under current law, 60% of HIRSP costs must be paid by premiums and premium and deductible subsidies. Premiums for the general major medical coverage may not be less than 150%, nor more than 200%, of the rate that a standard risk would be charged under an individual policy providing the same coverage and deductibles as are provided under HIRSP. Premiums for the choice of coverage option must differ from the general major medical coverage premiums by the same percentage as the percentage difference between what a standard risk would be charged for the two coverages. Current law, however, does not distinguish between the premium rates for the coverage provided to persons who are eligible for medicare and the coverage provided to persons who are not eligible for medicare.

This bill provides that the rates for the alternative, reduced–benefit coverage provided to persons who are eligible for medicare must differ from the rates charged to persons who are not eligible for medicare by the same percentage as the percentage difference between the amount of covered expenses paid by HIRSP in the previous calendar year on behalf of persons eligible for medicare and the amount of covered expenses paid by HIRSP in the previous calendar year on behalf of persons not eligible for medicare. Under the bill, only the premiums for the general major medical coverage for persons not eligible for medicare must be set between 150% and 200% of what a standard risk would pay for the same coverage and deductibles. The bill provides that if, in order to cover HIRSP expenses, premiums for persons who are not eligible for medicare are increased above 150% of what a standard risk would pay, premiums for the coverage provided to persons who are eligible for medicare must be increased by a comparable amount.

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.** 149.14 (5m) of the statutes is created to read:

2 149.14 **(5m)** PREMIUM RATES. For the coverage required under this section,
3 premium rates charged to persons with coverage under sub. (2) (b) shall differ from
4 the rates charged to persons with coverage under sub. (2) (a) by the same percentage
5 as the percentage difference between the following:

6 (a) The amount of covered expenses paid by the plan in the previous calendar
7 year on behalf of persons with coverage under sub. (2) (b).

8 (b) The amount of covered expenses paid by the plan in the previous calendar
9 year on behalf of persons with coverage under sub. (2) (a).

10 **SECTION 2.** 149.143 (1) (b) 1. a. of the statutes, as affected by 1999 Wisconsin
11 Act 9, is amended to read:

12 149.143 **(1)** (b) 1. a. First, from premiums from eligible persons with coverage
13 under s. 149.14 (2) (a) set at 150% of the rate that a standard risk would be charged
14 under an individual policy providing substantially the same coverage and

deductibles as are provided under the plan and from eligible persons with coverage under s. 149.14 (2) (b) set in accordance with s. 149.14 (5m), including amounts received for premium and deductible subsidies under s. 149.144 and under the transfer to the fund from the appropriation account under s. 20.435 (4) (ah), and from premiums collected from eligible persons with coverage under s. 149.146 set in accordance with s. 149.146 (2) (b).

History: 1999 a. 9.

SECTION 3. 149.143 (1) (b) 1. c. of the statutes, as affected by 1999 Wisconsin Act 9, is amended to read:

149.143 **(1)** (b) 1. c. Third, by increasing premiums from eligible persons with coverage under s. 149.14 (2) (a) to more than 150% but not more than 200% of the rate that a standard risk would be charged under an individual policy providing substantially the same coverage and deductibles as are provided under the plan and from eligible persons with coverage under s. 149.14 (2) (b) by a comparable amount in accordance with s. 149.14 (5m), including amounts received for premium and deductible subsidies under s. 149.144 and under the transfer to the fund from the appropriation account under s. 20.435 (4) (ah), and by increasing premiums from eligible persons with coverage under s. 149.146 in accordance with s. 149.146 (2) (b), to the extent that the amounts under subd. 1. a. and b. are insufficient to pay 60% of plan costs.

History: 1999 a. 9.

SECTION 4. 149.143 (2) (a) 2. of the statutes is amended to read:

149.143 **(2)** (a) 2. After making the determinations under subd. 1., by rule set premium rates for the new plan year, including the rates under s. 149.146 (2) (b), in the manner specified in sub. (1) (b) 1. a. and c. and such that a rate for coverage under s. 149.14 (2) (a) is not less than 150% nor more than 200% of the rate that a standard

1 risk would be charged under an individual policy providing substantially the same
2 coverage and deductibles as are provided under the plan.

History: 1997 a. 27.

3 **SECTION 5.** 149.143 (2m) (b) 1. of the statutes, as created by 1999 Wisconsin Act
4 9, is amended to read:

5 149.143 **(2m)** (b) 1. To reduce premiums in succeeding plan years as provided
6 in sub. (1) (b) 1. b. For eligible persons with coverage under s. 149.14 (2) (a),
7 premiums may not be reduced below 150% of the rate that a standard risk would be
8 charged under an individual policy providing substantially the same coverage and
9 deductibles as are provided under the plan.

History: 1999 a. 9.

10 **SECTION 6.** 149.146 (2) (b) (intro.) of the statutes is amended to read:

11 149.146 **(2)** (b) (intro.) The schedule of premiums for coverage under this
12 section shall be promulgated by rule by the department, as provided in s. 149.143.
13 The rates for coverage under this section shall be set such that they differ from the
14 rates for coverage under s. 149.14 (2) (a) by the same percentage as the percentage
15 difference between the following:

History: 1997 a. 27 ss. 4860c, 4860d; Stats. 1997 s. 149.146; 1997 a. 237.

16 **SECTION 7.** 149.146 (2) (b) 1. of the statutes is amended to read:

17 149.146 **(2)** (b) 1. The rate that a standard risk would be charged under an
18 individual policy providing substantially the same coverage and deductibles as
19 provided under s. 149.14 (2) (a) and (5) (a).

History: 1997 a. 27 ss. 4860c, 4860d; Stats. 1997 s. 149.146; 1997 a. 237.

20 **SECTION 8.** 149.165 (1) of the statutes is amended to read:

21 149.165 **(1)** Except as provided in s. 149.146 (2) (a), the department shall
22 reduce the premiums established under s. 149.11 in conformity with ss. 149.14 (5m),

1 149.143 and 149.17, for the eligible persons and in the manner set forth in subs. (2)
2 and (3).

History: 1985 a. 29; 1987 a. 27; 1987 a. 312 s. 17; 1991 a. 39; 1997 a. 27 ss. 4889 to 4894; Stats. 1997 s. 149.165.

3 **(END)**

State of Wisconsin
Department of Health and Family Services

PJK

Tommy G. Thompson, Governor
Joe Leean, Secretary

December 30, 1999

TO: Pam Kahler FAX 264-6948
Legislative Reference Bureau

FROM: Kevin Lewis FAX 266-7882
Department of Health and Family Services

RE: Technical Change to LRB 4004/1

The Wisconsin Legislative Council reviewed LRB 4004/1 and has some concern with the syntax of the new section on premium rates for Medicare recipients (149.14 (5m)). Specifically, the concern is that even though the language of this first draft reflects the same construction later in the chapter used to prescribe the rate setting for the HIPAA alternate plan (s. 149.146(2)(b)), it is nevertheless imprecise. Using "percentage difference" leaves the reader with different possible interpretations. The alternative suggested as a better approach would be to directly use a methodology of applying a ratio. Exact language wasn't given, and so I have taken a stab at a formulation that hopefully leaves the reader with no doubt as to how Plan 2 (Medicare) rates are to be constructed. This version is a bit more cumbersome, no doubt, and I take no pride in authorship whatsoever. I look forward to hearing your reactions and suggestions.

Suggested change:

149.14 (5m) Premium rates For the coverage required under this section, the methodology for calculating premium rates charged to persons with coverage under sub. (2)(b) shall differ from that used to calculate premium rates charged to persons with coverage under sub. (2)(a). Premium rates charged to persons with coverage under sub. (2)(b) shall be derived by multiplying the premium rates charged to persons with coverage under sub. (2)(a) by the ratio of the amount of covered expenses paid by the plan in the previous calendar year on behalf of persons with coverage under sub. (2)(b) to the amount of covered expenses paid by the plan in the previous calendar year on behalf of persons with coverage under sub. (2)(a).

1 West Wilson Street • Post Office Box 7850 • Madison, WI 53707-7850 • Telephone (608) 266-9622

Kahler, Pam

From: Lewis, Kevin
Sent: Thursday, December 30, 1999 10:52 AM
To: Kahler, Pam
Subject: HIRSP Plan 2 (LRB 4004/1)

Pam,
Happy New Year.
Laura Rose and Gordon Anderson of the Leg Council took a look at LRB 4004/1. Gordon has some concern with the syntax of our new section on premium rates for Medicare recipients (149.14(5m)). Specifically, he is worried that even though the language of /1 reflects the same construction later in the chapter used to prescribe the rate setting for the HIPAA alternate plan, it is imprecise and that "percentage difference" leaves the reader with different possible interpretations. Gordon suggested that a better approach would be to directly use a methodology of applying a ratio. He didn't give exact language, but left us to our creative wits. So, I have taken a stab at a more exact formulation, one that hopefully leaves the reader with no doubt as to how Plan 2 (Medicare) rates are to be constructed. This version is more cumbersome, no doubt, and I take no pride in authorship whatsoever. I hope that you will improve on this version where you see fit. Please call me (or Gordon Anderson) with any questions. Once we get this finished, I'll bring over the submittal form for the bill jacket. Again, thank you for your help with this!

Kevin Lewis
DHFS
266-3262

Suggested change:

149.14 (5m) Premium rates. For the coverage required under this section, the methodology for calculating premium rates charged to persons with coverage under sub. (2)(b) shall differ from that used to calculate premium rates charged to persons with coverage under sub. (2) (a). Premium rates charged to persons with coverage under sub. (2)(b) shall be derived by multiplying the premium rates charged to persons with coverage under sub. (2)(a) by the ratio of the amount of covered expenses paid by the plan in the previous calendar year on behalf of persons with coverage under sub. (2)(b) to the the amount of covered expenses paid by the plan in the previous calendar year on behalf of persons with coverage under sub. (2)(a).

State of Wisconsin

LEGISLATIVE REFERENCE BUREAU

100 NORTH HAMILTON STREET
P. O. BOX 2037
MADISON, WI 53701-2037

STEPHEN R. MILLER
CHIEF

LEGAL SECTION: (608) 266-3561
LEGAL FAX: (608) 264-8522
REFERENCE SECTION: (608) 266-0341
REFERENCE FAX: (608) 266-5648

FAX TRANSMITTAL COVER SHEET

Date: 1-4-00 Time: 1:10

Total pages transmitted, including this PAGE: 3

Please deliver this FAX to: Kevin Lewis

Telephone Number: 6-3262

FAX Number: 6-7882

MESSAGE: Kevin:

Following are the ~~three~~ three versions of the new language. (I hope you got my e-mail.)

FROM: Pam Kahler 6-2682

IF THERE ARE ANY PROBLEMS WITH THIS FAX TRANSMITTAL, PLEASE CALL (608) 266–3561.

THANK YOU

SECTION 1. 149.14 (5m) of the statutes is created to read:

149.14 **(5m)** PREMIUM RATES. For the coverage required under this section, the premium rates charged to persons with coverage under sub. (2) (b) shall be determined by multiplying the premium rates charged to persons with coverage under sub. (2) (a) by a fraction, the numerator of which is the amount of covered expenses paid by the plan in the previous calendar year on behalf of persons with coverage under sub. (2) (b) and the denominator of which is the amount of covered expenses paid by the plan in the previous calendar year on behalf of persons with coverage under sub. (2) (a).

SECTION 2. 149.14 (5m) of the statutes is created to read:

149.14 **(5m)** PREMIUM RATES. With respect to the coverage required under this section, the ratio between the premium rates charged to persons with coverage under sub. (2) (b) and the premium rates charged to persons with coverage under sub. (2) (a) shall be the same as the ratio between the amount of covered expenses paid by the plan in the previous calendar year on behalf of persons with coverage under sub. (2) (b) and the amount of covered expenses paid by the plan in the previous calendar year on behalf of persons with coverage under sub. (2) (a).

SECTION 3. 149.14 (5m) of the statutes is created to read:

149.14 **(5m)** PREMIUM RATES. For the coverage required under this section, the premium rates charged to persons with coverage under sub. (2) (b) shall bear the same ratio to the premium rates charged to persons with coverage under sub. (2) (a) as the amount of covered expenses paid by the plan in the previous calendar year on

behalf of persons with coverage under sub. (2) (b) bears to the amount of covered expenses paid by the plan in the previous calendar year on behalf of persons with coverage under sub. (2) (a).

State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-4004/2
PJK:cmh:jf

1999 BILL

SOON (1-5)

1 AN ACT *to amend* 149.143 (1) (b) 1. a., 149.143 (1) (b) 1. c., 149.143 (2) (a) 2.,
2 149.143 (2m) (b) 1., 149.146 (2) (b) (intro.), 149.146 (2) (b) 1. and 149.165 (1); and
3 *to create* 149.14 (5m) of the statutes; **relating to:** premium rates for coverage
4 under the health insurance risk-sharing plan for persons who are eligible for
5 medicare.

Analysis by the Legislative Reference Bureau

The health insurance risk-sharing plan (HIRSP) provides health insurance coverage for persons who are covered under medicare because they are disabled, persons who have tested positive for human immunodeficiency virus (HIV) 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 offers its enrollees who are not eligible for medicare an annual choice of coverage option. For persons who are eligible for medicare, HIRSP provides an alternative policy that reduces the benefits payable by the amounts paid under medicare.

Under current law, 60% of HIRSP costs must be paid by premiums and premium and deductible subsidies. Premiums for the general major medical coverage may not be less than 150%, nor more than 200%, of the rate that a standard risk would be charged under an individual policy providing the same coverage and

deductibles as are provided under HIRSP. Premiums for the choice of coverage option must differ from the general major medical coverage premiums by the same percentage as the percentage difference between what a standard risk would be charged for the two coverages. Current law, however, does not distinguish between the premium rates for the coverage provided to persons who are eligible for medicare and the coverage provided to persons who are not eligible for medicare.

This bill provides that the rates for the alternative, reduced–benefit coverage provided to persons who are eligible for medicare must ~~differ from the rates charged to persons who are not eligible for medicare by the same percentage as the percentage difference between~~ the amount of covered expenses paid by HIRSP in the previous calendar year on behalf of persons eligible for medicare, and the amount of covered expenses paid by HIRSP in the previous calendar year on behalf of persons not eligible for medicare. Under the bill, only the premiums for the general major medical coverage for persons not eligible for medicare must be set between 150% and 200% of what a standard risk would pay for the same coverage and deductibles. The bill provides that if, in order to cover HIRSP expenses, premiums for persons who are not eligible for medicare are increased above 150% of what a standard risk would pay, premiums for the coverage provided to persons who are eligible for medicare must be increased by a comparable amount.

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

Insert 2-4

the factors denominators

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

1 **SECTION 1.** 149.14 (5m) of the statutes is created to read:

2 149.14 **(5m)** PREMIUM RATES. For the coverage required under this section,
3 premium rates charged to persons with coverage under sub. (2) (b) shall differ from
4 the rates charged to persons with coverage under sub. (2) (a) by the same percentage
5 as the percentage difference between the following:

6 (a) The amount of covered expenses paid by the plan in the previous calendar
7 year on behalf of persons with coverage under sub. (2) (b).

8 (b) The amount of covered expenses paid by the plan in the previous calendar
9 year on behalf of persons with coverage under sub. (2) (a).

10 **SECTION 2.** 149.143 (1) (b) 1. a. of the statutes, as affected by 1999 Wisconsin
11 Act 9, is amended to read:

Insert 2-9

149.143 **(1)** (b) 1. a. First, from premiums from eligible persons with coverage under s. 149.14 (2) (a) set at 150% of the rate that a standard risk would be charged under an individual policy providing substantially the same coverage and deductibles as are provided under the plan and from eligible persons with coverage under s. 149.14 (2) (b) set in accordance with s. 149.14 (5m), including amounts received for premium and deductible subsidies under s. 149.144 and under the transfer to the fund from the appropriation account under s. 20.435 (4) (ah), and from premiums collected from eligible persons with coverage under s. 149.146 set in accordance with s. 149.146 (2) (b).

SECTION 3. 149.143 (1) (b) 1. c. of the statutes, as affected by 1999 Wisconsin Act 9, is amended to read:

149.143 **(1)** (b) 1. c. Third, by increasing premiums from eligible persons with coverage under s. 149.14 (2) (a) to more than 150% but not more than 200% of the rate that a standard risk would be charged under an individual policy providing substantially the same coverage and deductibles as are provided under the plan and from eligible persons with coverage under s. 149.14 (2) (b) by a comparable amount in accordance with s. 149.14 (5m), including amounts received for premium and deductible subsidies under s. 149.144 and under the transfer to the fund from the appropriation account under s. 20.435 (4) (ah), and by increasing premiums from eligible persons with coverage under s. 149.146 in accordance with s. 149.146 (2) (b), to the extent that the amounts under subd. 1. a. and b. are insufficient to pay 60% of plan costs.

SECTION 4. 149.143 (2) (a) 2. of the statutes is amended to read:

149.143 **(2)** (a) 2. After making the determinations under subd. 1., by rule set premium rates for the new plan year, including the rates under s. 149.146 (2) (b), in

1 the manner specified in sub. (1) (b) 1. a. and c. and such that a rate for coverage under
2 s. 149.14 (2) (a) is not less than 150% nor more than 200% of the rate that a standard
3 risk would be charged under an individual policy providing substantially the same
4 coverage and deductibles as are provided under the plan.

5 **SECTION 5.** 149.143 (2m) (b) 1. of the statutes, as created by 1999 Wisconsin Act
6 9, is amended to read:

7 149.143 **(2m)** (b) 1. To reduce premiums in succeeding plan years as provided
8 in sub. (1) (b) 1. b. For eligible persons with coverage under s. 149.14 (2) (a),
9 premiums may not be reduced below 150% of the rate that a standard risk would be
10 charged under an individual policy providing substantially the same coverage and
11 deductibles as are provided under the plan.

12 **SECTION 6.** 149.146 (2) (b) (intro.) of the statutes is amended to read:

13 149.146 **(2)** (b) (intro.) The schedule of premiums for coverage under this
14 section shall be promulgated by rule by the department, as provided in s. 149.143.
15 The rates for coverage under this section shall be set such that they differ from the
16 rates for coverage under s. 149.14 (2) (a) by the same percentage as the percentage
17 difference between the following:

18 **SECTION 7.** 149.146 (2) (b) 1. of the statutes is amended to read:

19 149.146 **(2)** (b) 1. The rate that a standard risk would be charged under an
20 individual policy providing substantially the same coverage and deductibles as
21 provided under s. 149.14 (2) (a) and (5) (a).

22 **SECTION 8.** 149.165 (1) of the statutes is amended to read:

23 149.165 **(1)** Except as provided in s. 149.146 (2) (a), the department shall
24 reduce the premiums established under s. 149.11 in conformity with ss. 149.14 (5m),

149.143 and 149.17, for the eligible persons and in the manner set forth in subs. (2) and (3).

(END)

INSERT 2–A

no 9

be determined in ~~reference~~ relation to the rates charged to persons who are not eligible for medicare and as a function of the difference between the amount of covered expenses that HIRSP pays on behalf of each group. To calculate the rates charged to persons who are eligible for medicare, the rates that are charged to persons who are not eligible for medicare are multiplied by a fraction. The fraction's numerator is

(END OF INSERT 2–A)

INSERT 2–9

149.14 **(5m)** PREMIUM RATES. For the coverage required under this section, the premium rates charged to persons with coverage under sub. (2) (b) shall be determined by multiplying the premium rates charged to persons with coverage under sub. (2) (a) by a fraction, the numerator of which is the amount of covered expenses paid by the plan in the previous calendar year on behalf of persons with coverage under sub. (2) (b) and the denominator of which is the amount of covered expenses paid by the plan in the previous calendar year on behalf of persons with coverage under sub. (2) (a).

(end of INSERT 2–9)

SUBMITTAL FORM

LEGISLATIVE REFERENCE BUREAU
Legal Section Telephone: 266-3561
5th Floor, 100 N. Hamilton Street

The attached draft is submitted for your inspection. Please check each part carefully, proofread each word, and **sign** on the appropriate line(s) below.

Date: 01/05/2000

To: Health and Family Services

Relating to LRB drafting number: LRB-4004

Topic
Premium rates for persons who are eligible for medicare

Subject(s)
Insurance - health

Please call him (Kevin Lewis) when ready.

1. **JACKET** the draft for introduction _____

   in the **Senate** _X_ or the **Assembly** ____ (check only one). Only the requester under whose name the drafting request is entered in the LRB's drafting records may authorize the draft to be submitted. Please allow one day for the preparation of the required copies.

2. **REDRAFT.** See the changes indicated or attached _____.

   A revised draft will be submitted for your approval with changes incorporated.

3. Obtain **FISCAL ESTIMATE NOW**, prior to introduction _____.

   If the analysis indicates that a fiscal estimate is required because the proposal makes an appropriation or increases or decreases existing appropriations or state or general local government fiscal liability or revenues, you have the option to request the fiscal estimate prior to introduction. If you choose to introduce the proposal without the fiscal estimate, the fiscal estimate will be requested automatically upon introduction. It takes about 10 days to obtain a fiscal estimate. Requesting the fiscal estimate prior to introduction retains your flexibility for possible redrafting of the proposal.

If you have any questions regarding the above procedures, please call 266-3561. If you have any questions relating to the attached draft, please feel free to call me.

Pamela J. Kahler, Senior Legislative Attorney
Telephone: (608) 266-2682

Kahler, Pam

From: Lewis, Kevin
Sent: Wednesday, January 26, 2000 6:20 PM
To: Kahler, Pam
Subject: Hirsp bill

HIRSP Plan 2 Section 1.doc

Pam,
I am abashed to request yet another change to the bill drafts on the HIRSP Plan 2 premium calculation.
Just before I left the state to visit family for all of last week, I got the bad news that the formula that everyone had agreed would codify practice wouldn't work after all. We just got in the new claims numbers for each plan and the toll of pharmacy claims is warping the per cap cost of Plan 2 beyond our expectations. As a result, I have to ask that we go back to our earlier approach of granting the board and department more flexibility in determining the Plan 2 premium rates. I took a stab at this language in the spirit of what you already drafted and here it is:

Section 1. 149.14 (5m) of the statutes is created to read:
149.14 (5m) Premium Rates. For the coverage required under this section, the premium rates charged to persons with coverage under sub. (2) (b) shall be determined in accordance with the following factors: the amount of average per capita covered expenses paid by the plan in the previous calendar year on behalf of persons with coverage under sub. (2) (b) compared with those on behalf of persons with coverage under sub. (2) (a); the enrollment levels of persons with coverage under sub. (2) (b); and other economic factors that the department and the board consider relevant.

This is attached as a Word Document too if that's easier to work with.

As I have the bill jackets, I will bring these back over to you tomorrow morning so that you can proceed. Sorry about this additional request. Please let me know if I can clarify anything.

Kevin

Section 1. 149.14 (5m) of the statutes is created to read:

149.14 (5m) Premium Rates. For the coverage required under this section, the premium rates charged to persons with coverage under sub. (2) (b) shall be determined in accordance with the following factors: the amount of average per capita covered expenses paid by the plan in the previous calendar year on behalf of persons with coverage under sub. (2) (b) compared with those on behalf of persons with coverage under sub. (2) (a); the enrollment levels of persons with coverage under sub. (2) (b); and other economic factors that the department and the board consider relevant.

State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-4004/~~2~~ 3
PJK:~~cmh:km~~
r m is rem

1999 BILL

Soon (4-27) Mon 1-31

(Have 3 [illegible] Done (compromise) Done (change))

negr cat

1 AN ACT *to amend* 149.143 (1) (b) 1. a., 149.143 (1) (b) 1. c., 149.143 (2) (a) 2.,
2 149.143 (2m) (b) 1., 149.146 (2) (b) (intro.), 149.146 (2) (b) 1. and 149.165 (1); and
3 *to create* 149.14 (5m) of the statutes; **relating to:** premium rates for coverage
4 under the health insurance risk–sharing plan for persons who are eligible for
5 medicare.

Ins A-1

Analysis by the Legislative Reference Bureau

The health insurance risk–sharing plan (HIRSP) provides health insurance coverage for persons who are covered under medicare because they are disabled, persons who have tested positive for human immunodeficiency virus (HIV) 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 offers its enrollees who are not eligible for medicare an annual choice of coverage option. For persons who are eligible for medicare, HIRSP provides an alternative policy that reduces the benefits payable by the amounts paid under medicare.

Under current law, 60% of HIRSP costs must be paid by premiums and premium and deductible subsidies. Premiums for the general major medical coverage may not be less than 150%, nor more than 200%, of the rate that a standard risk would be charged under an individual policy providing the same coverage and

deductibles as are provided under HIRSP. Premiums for the choice of coverage option must differ from the general major medical coverage premiums by the same percentage as the percentage difference between what a standard risk would be charged for the two coverages. Current law, however, does not distinguish between the premium rates for the coverage provided to persons who are eligible for medicare and the coverage provided to persons who are not eligible for medicare.

This bill provides that the rates for the alternative, reduced–benefit coverage provided to persons who are eligible for medicare must be determined in relation to the rates charged to persons who are not eligible for medicare and as a function of the difference between the amount of covered expenses that HIRSP pays on behalf of each group. To calculate the rates charged to persons who are eligible for medicare, the rates that are charged to persons who are not eligible for medicare are multiplied by a fraction. The fraction's numerator is the amount of covered expenses paid by HIRSP in the previous calendar year on behalf of persons eligible for medicare, and the fraction's denominator is the amount of covered expenses paid by HIRSP in the previous calendar year on behalf of persons not eligible for medicare. Under the bill, only the premiums for the general major medical coverage for persons not eligible for medicare must be set between 150% and 200% of what a standard risk would pay for the same coverage and deductibles. The bill provides that if, in order to cover HIRSP expenses, premiums for persons who are not eligible for medicare are increased above 150% of what a standard risk would pay, premiums for the coverage provided to persons who are eligible for medicare must be increased by a comparable amount.

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.** 149.14 (5m) of the statutes is created to read:

2 149.14 **(5m)** PREMIUM RATES. For the coverage required under this section, the
3 premium rates charged to persons with coverage under sub. (2) (b) shall be
4 determined ~~by multiplying the premium rates charged to persons with coverage~~
5 ~~under sub. (2) (a) by a fraction, the numerator of which is~~ insert 2-5 amount of covered
6 expenses paid by the plan in the previous calendar year on behalf of persons with
7 coverage under sub. (2) (b) and ~~the denominator of which is~~ the amount of covered
8 expenses paid by the plan in the previous calendar year on behalf of persons with
9 coverage under sub. (2) (a).

average per capita

Insert 2-9 →

1 **SECTION 2.** 149.143 (1) (b) 1. a. of the statutes, as affected by 1999 Wisconsin
2 Act 9, is amended to read:
3 149.143 **(1)** (b) 1. a. First, from premiums from eligible persons with coverage
4 under s. 149.14 (2) (a) set at 150% of the rate that a standard risk would be charged
5 under an individual policy providing substantially the same coverage and
6 deductibles as are provided under the plan and from eligible persons with coverage
7 under s. 149.14 (2) (b) set in accordance with s. 149.14 (5m), including amounts
8 received for premium and deductible subsidies under s. 149.144 and under the
9 transfer to the fund from the appropriation account under s. 20.435 (4) (ah), and from
10 premiums collected from eligible persons with coverage under s. 149.146 set in
11 accordance with s. 149.146 (2) (b).
12 **SECTION 3.** 149.143 (1) (b) 1. c. of the statutes, as affected by 1999 Wisconsin
13 Act 9, is amended to read:
14 149.143 **(1)** (b) 1. c. Third, by increasing premiums from eligible persons with
15 coverage under s. 149.14 (2) (a) to more than 150% but not more than 200% of the rate
16 that a standard risk would be charged under an individual policy providing
17 substantially the same coverage and deductibles as are provided under the plan and
18 from eligible persons with coverage under s. 149.14 (2) (b) by a comparable amount
19 in accordance with s. 149.14 (5m), including amounts received for premium and
20 deductible subsidies under s. 149.144 and under the transfer to the fund from the
21 appropriation account under s. 20.435 (4) (ah), and by increasing premiums from
22 eligible persons with coverage under s. 149.146 in accordance with s. 149.146 (2) (b),
23 to the extent that the amounts under subd. 1. a. and b. are insufficient to pay 60%
24 of plan costs.
25 **SECTION 4.** 149.143 (2) (a) 2. of the statutes is amended to read:

149.143 **(2)** (a) 2. After making the determinations under subd. 1., by rule set premium rates for the new plan year, including the rates under s. 149.146 (2) (b), in the manner specified in sub. (1) (b) 1. a. and c. and such that a rate for coverage under s. 149.14 (2) (a) is not less than 150% nor more than 200% of the rate that a standard risk would be charged under an individual policy providing substantially the same coverage and deductibles as are provided under the plan.

SECTION 5. 149.143 (2m) (b) 1. of the statutes, as created by 1999 Wisconsin Act 9, is amended to read:

149.143 **(2m)** (b) 1. To reduce premiums in succeeding plan years as provided in sub. (1) (b) 1. b. For eligible persons with coverage under s. 149.14 (2) (a), premiums may not be reduced below 150% of the rate that a standard risk would be charged under an individual policy providing substantially the same coverage and deductibles as are provided under the plan.

SECTION 6. 149.146 (2) (b) (intro.) of the statutes is amended to read:

149.146 **(2)** (b) (intro.) The schedule of premiums for coverage under this section shall be promulgated by rule by the department, as provided in s. 149.143. The rates for coverage under this section shall be set such that they differ from the rates for coverage under s. 149.14 (2) (a) by the same percentage as the percentage difference between the following:

SECTION 7. 149.146 (2) (b) 1. of the statutes is amended to read:

149.146 **(2)** (b) 1. The rate that a standard risk would be charged under an individual policy providing substantially the same coverage and deductibles as provided under s. 149.14 (2) (a) and (5) (a).

SECTION 8. 149.165 (1) of the statutes is amended to read:

149.165 **(1)** Except as provided in s. 149.146 (2) (a), the department shall reduce the premiums established under s. 149.11 in conformity with ss. 149.14 (5m), 149.143 and 149.17, for the eligible persons and in the manner set forth in subs. (2) and (3).

(END)

1999–2000 DRAFTING INSERT
FROM THE
LEGISLATIVE REFERENCE BUREAU

INSERT A-1

no ¶

, which is administered by the department of health and family services and the HIRSP board,

(DHFS)

(END OF INSERT A-1)

INSERT A-2

no ¶

on the basis of: 1) a comparison between the average per capita amount of covered expenses paid by HIRSP in the previous calendar year on behalf of persons who are eligible for medicare and the average per capita amount of covered expenses paid by HIRSP in the previous calendar year on behalf of persons not eligible for medicare; 2) HIRSP enrollment levels of persons who are eligible for medicare; and 3) other economic factors that ~~the department of health and family services~~ and the HIRSP board consider relevant

DHFS

(END OF INSERT A-2)

INSERT 2-5

no ¶

on the basis of the following factors:

¶ (a) A comparison between the average per capita

(END OF INSERT 2-5)

INSERT 2-9

¶ (b) The enrollment levels of persons with coverage under sub. (2) (b).

¶ (c) Other economic factors that the department and the board consider relevant.

(END OF INSERT 2-9)

DEPARTMENT OF HEALTH AND FAMILY SERVICES
HFS-32 (Rev. 8/97)

STATE OF WISCONSIN

FACSIMILE COVER MESSAGE

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COMMENTS/INSTRUCTIONS

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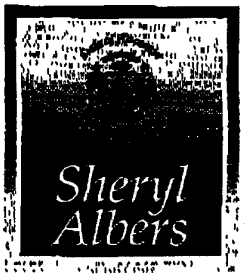

January 25, 2000

Representative Gregg Underheim
State Capitol, 11 North
Madison, WI 53708

Dear Representative Underheim,

I understand that you plan to introduce a bill, at the request of the Department of Health and Family Services, intended to clarify in the statutes how the Medicare Plan (Plan 2) rates under the HIRSP are to be set as a percentage function of Major Medical Plan (Plan 1.A) rates under HIRSP. The proposed language appears to accomplish this for setting full premium rates for Medicare Plan 2 enrollees.

I do have a concern, however, with section 8 because I do not believe it provides a sufficient foundation needed to generate the Medicare Plan tables that are currently used to derive reduced subsidy premiums for Medicare Plan 2 enrollees. It appears that the language in statute sections 149.165 (2) (a) (b) (c) (d) and (e) refers to setting reduced premiums as a function of "the rate that a standard risk would be charged under an individual policy providing substantially the same coverage and deductibles as provided under the plan". Thus, although those sections deal with the Major Medical Plan (Plan 1.A) enrollees, the sections may not be read to provide the foundation for the derivation of reduced subsidy premiums for Medicare Plan 2 enrollees as a percentage function of the reduced subsidy premiums established for Major Medical Plan 1 enrollees.

You may want to consider some way of clearly establishing that the methodology provided in Section 1 of the LRB is also to be used to set the reduced subsidy base rates for Medicare Plan 2 enrollees as a percentage function of the reduced subsidy base rates established for Major Medical Plan 1 enrollees.

You may also want to amend section 149.17 (1) to include cross references to section 149.14 (2) and to proposed section 149.14 (5m). yes

?

If you have any questions, please let me know.

Sincerely,

Sheryl K Albers

Sheryl K. Albers
State Representative
50th Assembly District

Office: P.O. Box 8952 • State Capitol • Madison, WI 53708-8952 • (608) 266-8531
Home: S6896 Seeley Creek Road • Loganville, WI 53943 • (608) 727-5084

State of Wisconsin
1999 - 2000 LEGISLATURE

LRB-4004/~~5~~ 4
PJK:cmh:jf
rm is new

1999 SENATE BILL

Wed afternoon

regenerate

1 AN ACT *to amend* 149.143 (1) (b) 1. a., 149.143 (1) (b) 1. c., 149.143 (2) (a) 2.,
2 149.143 (2m) (b) 1., 149.146 (2) (b) (intro.), 149.146 (2) (b) 1. and 149.165 (1); and
3 *to create* 149.14 (5m) of the statutes; **relating to:** premium rates for coverage
4 under the health insurance risk–sharing plan for persons who are eligible for
5 medicare.

Analysis by the Legislative Reference Bureau

The health insurance risk–sharing plan (HIRSP), which is administered by the department of health and family services (DHFS) and the HIRSP board, provides health insurance coverage for persons who are covered under medicare because they are disabled, persons who have tested positive for human immunodeficiency virus (HIV) 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 offers its enrollees who are not eligible for medicare an annual choice of coverage option. For persons who are eligible for medicare, HIRSP provides an alternative policy that reduces the benefits payable by the amounts paid under medicare.

Under current law, 60% of HIRSP costs must be paid by premiums and premium and deductible subsidies. Premiums for the general major medical coverage may not be less than 150%, nor more than 200%, of the rate that a standard

risk would be charged under an individual policy providing the same coverage and deductibles as are provided under HIRSP. Premiums for the choice of coverage option must differ from the general major medical coverage premiums by the same percentage as the percentage difference between what a standard risk would be charged for the two coverages. Current law, however, does not distinguish between the premium rates for the coverage provided to persons who are eligible for medicare and the coverage provided to persons who are not eligible for medicare.

This bill provides that the rates for the alternative, reduced–benefit coverage provided to persons who are eligible for medicare must be determined on the basis of: 1) a comparison between the average per capita amount of covered expenses paid by HIRSP in the previous calendar year on behalf of persons who are eligible for medicare and the average per capita amount of covered expenses paid by HIRSP in the previous calendar year on behalf of persons not eligible for medicare; 2) HIRSP enrollment levels of persons who are eligible for medicare; and 3) other economic factors that DHFS and the HIRSP board consider relevant. Under the bill, only the premiums for the general major medical coverage for persons not eligible for medicare must be set between 150% and 200% of what a standard risk would pay for the same coverage and deductibles. The bill provides that if, in order to cover HIRSP expenses, premiums for persons who are not eligible for medicare are increased above 150% of what a standard risk would pay, premiums for the coverage provided to persons who are eligible for medicare must be increased by a comparable amount.

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

Insert A

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

Insert 2-1

1 **SECTION 1.** 149.14 (5m) of the statutes is created to read:

2 149.14 **(5m)** PREMIUM RATES. For the coverage required under this section, the
3 premium rates charged to eligible persons with coverage under sub. (2) (b) shall be
4 determined on the basis of the following factors:

5 (a) A comparison between the average per capita amount of covered expenses
6 paid by the plan in the previous calendar year on behalf of eligible persons with coverage
7 under sub. (2) (b) and the average per capita amount of covered expenses paid by the
8 plan in the previous calendar year on behalf of eligible persons with coverage under sub. (2)
9 (a).

10 (b) The enrollment levels of eligible persons with coverage under sub. (2) (b).

1 (c) Other economic factors that the department and the board consider
2 relevant.

3 **SECTION 2.** 149.143 (1) (b) 1. a. of the statutes, as affected by 1999 Wisconsin
4 Act 9, is amended to read:

5 149.143 **(1)** (b) 1. a. First, from premiums from eligible persons with coverage
6 under s. 149.14 (2) (a) set at 150% of the rate that a standard risk would be charged
7 under an individual policy providing substantially the same coverage and
8 deductibles as are provided under the plan and from eligible persons with coverage
9 under s. 149.14 (2) (b) set in accordance with s. 149.14 (5m), including amounts
10 received for premium and deductible subsidies under s. 149.144 and under the
11 transfer to the fund from the appropriation account under s. 20.435 (4) (ah), and from
12 premiums collected from eligible persons with coverage under s. 149.146 set in
13 accordance with s. 149.146 (2) (b).

14 **SECTION 3.** 149.143 (1) (b) 1. c. of the statutes, as affected by 1999 Wisconsin
15 Act 9, is amended to read:

16 149.143 **(1)** (b) 1. c. Third, by increasing premiums from eligible persons with
17 coverage under s. 149.14 (2) (a) to more than 150% but not more than 200% of the rate
18 that a standard risk would be charged under an individual policy providing
19 substantially the same coverage and deductibles as are provided under the plan and
20 from eligible persons with coverage under s. 149.14 (2) (b) by a comparable amount
21 in accordance with s. 149.14 (5m), including amounts received for premium and
22 deductible subsidies under s. 149.144 and under the transfer to the fund from the
23 appropriation account under s. 20.435 (4) (ah), and by increasing premiums from
24 eligible persons with coverage under s. 149.146 in accordance with s. 149.146 (2) (b),

1 to the extent that the amounts under subd. 1. a. and b. are insufficient to pay 60%
2 of plan costs.

3 **SECTION 4.** 149.143 (2) (a) 2. of the statutes is amended to read:

4 149.143 **(2)** (a) 2. After making the determinations under subd. 1., by rule set
5 premium rates for the new plan year, including the rates under s. 149.146 (2) (b), in
6 the manner specified in sub. (1) (b) 1. a. and c. and such that a rate for coverage under
7 s. 149.14 (2) (a) is not less than 150% nor more than 200% of the rate that a standard
8 risk would be charged under an individual policy providing substantially the same
9 coverage and deductibles as are provided under the plan.

10 **SECTION 5.** 149.143 (2m) (b) 1. of the statutes, as created by 1999 Wisconsin Act
11 9, is amended to read:

12 149.143 **(2m)** (b) 1. To reduce premiums in succeeding plan years as provided
13 in sub. (1) (b) 1. b. For eligible persons with coverage under s. 149.14 (2) (a),
14 premiums may not be reduced below 150% of the rate that a standard risk would be
15 charged under an individual policy providing substantially the same coverage and
16 deductibles as are provided under the plan.

17 **SECTION 6.** 149.146 (2) (b) (intro.) of the statutes is amended to read:

18 149.146 **(2)** (b) (intro.) The schedule of premiums for coverage under this
19 section shall be promulgated by rule by the department, as provided in s. 149.143.
20 The rates for coverage under this section shall be set such that they differ from the
21 rates for coverage under s. 149.14 (2) (a) by the same percentage as the percentage
22 difference between the following:

23 **SECTION 7.** 149.146 (2) (b) 1. of the statutes is amended to read:

149.146 **(2)** (b) 1. The rate that a standard risk would be charged under an individual policy providing substantially the same coverage and deductibles as provided under s. 149.14 (2) (a) and (5) (a).

SECTION 8. 149.165 (1) of the statutes is amended to read:

149.165 **(1)** Except as provided in s. 149.146 (2) (a), the department shall reduce the premiums established under s. 149.11 in conformity with ss. 149.14 (5m), 149.143 and 149.17, for the eligible persons and in the manner set forth in subs. (2) and (3).

strike comma

(END)

Insert 5-8

INSERT A

Under current law, a person with coverage under HIRSP who has a household income in one of five income brackets below $25,000 receives a premium subsidy. For each income bracket, the premium that a covered person pays is reduced to a specified percentage, between 100% and 130%, of the rate that a standard risk in the private health insurance market would be charged for substantially the same coverage and deductibles as provided under HIRSP. The bill provides that the premium reductions to the specified percentages of the rate that a standard risk would be charged only apply to covered persons who are not eligible for medicare. The premium for a covered person who is eligible for medicare and who has a household income in one of the five income brackets below $25,000 must be reduced by the same percentage as the premium is reduced for a person who is not eligible for medicare and who has a household income in the same income bracket.

space

(END OF INSERT A)

INSERT 2-1

SECTION 1. 149.14 (5) (a) of the statutes is amended to read:

149.14 **(5)** (a) The plan shall offer a deductible in combination with appropriate premiums determined under this chapter for major medical expense coverage required under this section. For coverage offered to those persons eligible for medicare, the plan shall offer a deductible equal to the deductible charged by part A of title XVIII of the federal social security act, as amended. The deductible amounts for all other eligible persons shall be dependent upon household income as determined under s. 149.165. For eligible persons under s. 149.165 (2) (a) 1., the deductible shall be $500. For eligible persons under s. 149.165 (2) ~~(b)~~ (a) 2., the deductible shall be $600. For eligible persons under s. 149.165 (2) ~~(c)~~ (a) 3., the deductible shall be $700. For eligible persons under s. 149.165 (2) ~~(d)~~ (a) 4., the deductible shall be $800. For all other eligible persons who are not eligible for medicare, the deductible shall be $1,000. With respect to all eligible persons,

expenses used to satisfy the deductible during the last 90 days of a calendar year shall also be applied to satisfy the deductible for the following calendar year.

History: 1979 c. 313; 1981 c. 39 s. 22; 1981 c. 83; 1981 c. 314 ss. 117, 146; 1983 a. 27; 1985 a. 29 s. 3202 (30); 1985 a. 332 s. 253; 1987 a. 27, 239; 1989 a. 332; 1991 a. 39, 269; 1995 a. 463; 1997 a. 27 ss. 3026c, 4847 to 4859; Stats. 1997 s. 149.14; 1997 a. 237; 1999 a. 9.

(END OF INSERT 2–1)

INSERT 5–8

SECTION 2. 149.165 (2) (intro.) of the statutes, as affected by 1999 Wisconsin Act 9, is renumbered 149.165 (2) (a) (intro.) and amended to read:

149.165 **(2)** (a) (intro.) Subject to sub. (3m), if the household income, as defined in s. 71.52 (5) and as determined under sub. (3), of an eligible person <u>with coverage under s. 149.14 (2) (a)</u> is equal to or greater than the first amount and less than the 2nd amount listed in any of the following, the department shall reduce the premium for the eligible person to the rate shown after the amounts:

History: 1985 a. 29; 1987 a. 27; 1987 a. 312 s. 17; 1991 a. 39; 1997 a. 27 ss. 4889 to 4894; Stats. 1997 s. 149.165; 1999 a. 9.

SECTION 3. 149.165 (2) (a) of the statutes is renumbered 149.165 (2) (a) 1. and amended to read:

149.165 **(2)** (a) 1. If equal to or greater than $0 and less than $10,000, to 100% of the rate that a standard risk would be charged under an individual policy providing substantially the same coverage and deductibles as provided under ~~the plan~~ <u>s. 149.14 (2) (a) and (5) (a)</u>.

History: 1985 a. 29; 1987 a. 27; 1987 a. 312 s. 17; 1991 a. 39; 1997 a. 27 ss. 4889 to 4894; Stats. 1997 s. 149.165; 1999 a. 9.

SECTION 4. 149.165 (2) (b) of the statutes is renumbered 149.165 (2) (a) 2. and amended to read:

149.165 **(2)** (a) 2. If equal to or greater than $10,000 and less than $14,000, to 106.5% of the rate that a standard risk would be charged under an individual policy providing substantially the same coverage and deductibles as provided under ~~the plan~~ <u>s. 149.14 (2) (a) and (5) (a)</u>.

History: 1985 a. 29; 1987 a. 27; 1987 a. 312 s. 17; 1991 a. 39; 1997 a. 27 ss. 4889 to 4894; Stats. 1997 s. 149.165; 1999 a. 9.

SECTION 5. 149.165 (2) (bc) of the statutes is created to read:

149.165 **(2)** (bc) Subject to sub. (3m), if the household income, as defined in s. 71.52 (5) and as determined under sub. (3), of an eligible person with coverage under s. 149.14 (2) (b) is equal to or greater than the first amount and less than the 2nd amount listed in par. (a) 1., 2., 3., 4. or 5., the department shall reduce the premium established for the eligible person by the same percentage as the department reduces, under par. (a), the premium established for an eligible person with coverage under s. 149.14 (2) (a) who has a household income specified in the same subdivision as the household income of the eligible person with coverage under s. 149.14 (2) (b).

under par. (a)

SECTION 6. 149.165 (2) (c) of the statutes is renumbered 149.165 (2) (a) 3. and amended to read:

149.165 **(2)** (a) 3. If equal to or greater than $14,000 and less than $17,000, to 115.5% of the rate that a standard risk would be charged under an individual policy providing substantially the same coverage and deductibles as provided under ~~the plan~~ s. 149.14 (2) (a) and (5) (a).

History: 1985 a. 29; 1987 a. 27; 1987 a. 312 s. 17; 1991 a. 39; 1997 a. 27 ss. 4889 to 4894; Stats. 1997 s. 149.165; 1999 a. 9.

SECTION 7. 149.165 (2) (d) of the statutes is renumbered 149.165 (2) (a) 4. and amended to read:

149.165 **(2)** (a) 4. If equal to or greater than $17,000 and less than $20,000, to 124.5% of the rate that a standard risk would be charged under an individual policy providing substantially the same coverage and deductibles as provided under ~~the plan~~ s. 149.14 (2) (a) and (5) (a).

History: 1985 a. 29; 1987 a. 27; 1987 a. 312 s. 17; 1991 a. 39; 1997 a. 27 ss. 4889 to 4894; Stats. 1997 s. 149.165; 1999 a. 9.

SECTION 8. 149.165 (2) (e) of the statutes, as created by 1999 Wisconsin Act 9, is renumbered 149.165 (2) (a) 5. and amended to read:

149.165 **(2)** (a) 5. If equal to or greater than $20,000 and less than $25,000, to 130% of the rate that a standard risk would be charged under an individual policy providing substantially the same coverage and deductibles as provided under ~~the plan~~ s. 149.14 (2) (a) and (5) (a).

History: 1985 a. 29; 1987 a. 27; 1987 a. 312 s. 17; 1991 a. 39; 1997 a. 27 ss. 4889 to 4894; Stats. 1997 s. 149.165; 1999 a. 9.

SECTION 9. 149.165 (3m) of the statutes, as created by 1999 Wisconsin Act 9, is amended to read:

149.165 **(3m)** The board may approve adjustment of the household income dollar amounts listed in sub. (2) (a) ~~to (e)~~ 1. to 5., except for the first dollar amount listed in sub. (2) (a) 1., to reflect changes in the consumer price index for all urban consumers, U.S. city average, as determined by the U.S. department of labor.

History: 1985 a. 29; 1987 a. 27; 1987 a. 312 s. 17; 1991 a. 39; 1997 a. 27 ss. 4889 to 4894; Stats. 1997 s. 149.165; 1999 a. 9.

SECTION 10. 149.17 (1) of the statutes is amended to read:

149.17 **(1)** Subject to ss. 149.14 (5m), 149.143 and 149.146 (2) (b), a rating plan calculated in accordance with generally accepted actuarial principles.

History: 1979 c. 313; 1983 a. 27; 1987 a. 27; 1991 a. 39; 1997 a. 27 ss. 4896 to 4900; Stats. 1997 s. 149.17; 1999 a. 9.

(END OF INSERT 5–8)