

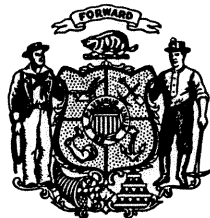
WISCONSIN LEGISLATIVE COUNCIL STAFF

LCRC  
FORM 2

***RULES CLEARINGHOUSE***

**Ronald Sklansky**  
Director  
(608) 266-1946

**Richard Sweet**  
Assistant Director  
(608) 266-2982



**David J. Stute, Director**  
Legislative Council Staff  
(608) 266-1304

One E. Main St., Ste. 401  
P.O. Box 2536  
Madison, WI 53701-2536  
FAX: (608) 266-3830

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**CLEARINGHOUSE REPORT TO AGENCY**

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[THIS REPORT HAS BEEN PREPARED PURSUANT TO S. 227.15, STATS. THIS IS A REPORT ON A RULE AS ORIGINALLY PROPOSED BY THE AGENCY; THE REPORT MAY NOT REFLECT THE FINAL CONTENT OF THE RULE IN FINAL DRAFT FORM AS IT WILL BE SUBMITTED TO THE LEGISLATURE. THIS REPORT CONSTITUTES A REVIEW OF, BUT NOT APPROVAL OR DISAPPROVAL OF, THE SUBSTANTIVE CONTENT AND TECHNICAL ACCURACY OF THE RULE.]

**CLEARINGHOUSE RULE 99-004**

AN ORDER to amend HFS 119.07 (6) (b) (intro.) and Medicare Plan tables and 119.15, relating to operation of the health insurance risk-sharing plan (HIRSP).

Submitted by **DEPARTMENT OF HEALTH AND FAMILY SERVICES**

01-15-99 RECEIVED BY LEGISLATIVE COUNCIL.

02-11-99 REPORT SENT TO AGENCY.

RNS:GAA:kjf

**LEGISLATIVE COUNCIL RULES CLEARINGHOUSE REPORT**

This rule has been reviewed by the Rules Clearinghouse. Based on that review, comments are reported as noted below:

1. STATUTORY AUTHORITY [s. 227.15 (2) (a)]

Comment Attached      YES       NO

2. FORM, STYLE AND PLACEMENT IN ADMINISTRATIVE CODE [s. 227.15 (2) (c)]

Comment Attached      YES       NO

3. CONFLICT WITH OR DUPLICATION OF EXISTING RULES [s. 227.15 (2) (d)]

Comment Attached      YES       NO

4. ADEQUACY OF REFERENCES TO RELATED STATUTES, RULES AND FORMS  
[s. 227.15 (2) (e)]

Comment Attached      YES       NO

5. CLARITY, GRAMMAR, PUNCTUATION AND USE OF PLAIN LANGUAGE [s. 227.15 (2) (f)]

Comment Attached      YES       NO

6. POTENTIAL CONFLICTS WITH, AND COMPARABILITY TO, RELATED FEDERAL  
REGULATIONS [s. 227.15 (2) (g)]

Comment Attached      YES       NO

7. COMPLIANCE WITH PERMIT ACTION DEADLINE REQUIREMENTS [s. 227.15 (2) (h)]

Comment Attached      YES       NO

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

To amend HFS 119.07 (6) (b) (intro.) and Medicare Plan tables and 119.15, relating to operation of the health insurance risk-sharing plan (HIRSP).

Analysis Prepared by the Department of Health and Family Services

The State of Wisconsin in 1981 established a Health Insurance Risk-Sharing Plan (HIRSP) for the purpose of making health insurance coverage available to medically uninsured residents of the state. One type of coverage provided by HIRSP is supplemental coverage for persons eligible for Medicare. This coverage is called Plan 2. Medicare (Plan 2) has a \$500 deductible. Approximately 17% of the 7,123 HIRSP policies in effect on October 31, 1998 were of the Plan 2 type.

The Department through this rulemaking order is amending ch. HFS 119 in order to update HIRSP Plan 2 premium rates by just over 10% in accordance with the authority and requirements set out in s. 149.143 (3) (a), Stats. The Department is required to set premium rates by rule and the rates must be calculated in accordance with generally accepted actuarial principles.

The Department through this order is also adjusting the total HIRSP insurer assessments and provider payment rates in accordance with the authority and requirements set out in s. 149.143 (2)(a)3. and 4., Stats., as affected by Act 27.

The Department's authority to amend these rules is found in s. 149.143 (2) (a) 2., 3. and 4. and (3), Stats., as affected by 1997 Wisconsin Act 27. The rules interpret s. 149.143, Stats., as affected by 1997 Wisconsin Act 27, as follows:

SECTION 1. HFS 119.07 (6) (b) (intro.) and Medicare Plan tables are amended to read:

HFS 119.07(6)(b) (intro.) Annual premiums for major medical plan policies with standard deductible. The schedule of annual premiums beginning July 1, 1998 January 1, 1999, for persons not entitled to a premium reduction under s. 149.165, Stats., is as follows:

MEDICARE PLAN - Males			
Age Group	Zone 1	Zone 2	Zone 3
0-18	\$888972	\$792876	\$708780
19-24	888972	792876	708780
25-29	888972	792876	708780
30-34	1,0201,128	9121,008	816900
35-39	1,1401,260	1,0201,128	900996
40-44	1,3801,524	1,2481,368	1,0921,200
45-49	1,7161,884	1,5361,692	1,3801,524
50-54	2,2082,424	1,9922,196	1,7641,944
55-59	2,8923,180	2,6162,880	2,3122,544
60+	3,5523,912	3,1923,516	2,8323,120

MEDICARE PLAN - Females			
Age Group	Zone 1	Zone 2	Zone 3
0-18	\$888972	\$792876	\$708780
19-24	1,2241,344	1,1161,224	9721,068
25-29	1,2841,416	1,1561,272	1,0321,140
30-34	1,4041,548	1,2721,404	1,1281,236
35-39	1,5121,668	1,3681,500	1,2121,332
40-44	1,6801,848	1,5121,668	1,3321,464
45-49	1,9442,136	1,7521,932	1,5601,716
50-54	2,1842,400	1,9562,148	1,7521,932
55-59	2,4962,748	2,2442,472	1,9922,196
60+	2,9403,240	2,6402,904	2,3402,580

SECTION 2. HFS 119.15 is amended to read:

HFS 119.15 INSURER ASSESSMENTS AND PROVIDER PAYMENT RATES. (1) PURPOSE. This section implements s. 149.143 (2) (a) 3. and 4., Stats.

(2) INSURER ASSESSMENTS. The insurer assessments for the time period July 1, 1998 January 1, 1999 through December 31, 1998 June 30, 1999 total \$4,266,874 \$4,043,589.

(3) PROVIDER PAYMENT RATES. The total adjustment to the provider payment rates for the time period July 1, 1998 January 1, 1999 through December 31, 1998 June 30, 1999 is \$4,266,874 \$4,043,589.

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

Wisconsin Department of Health and  
Family Services

Dated:

By: \_\_\_\_\_  
Joseph Leean  
Secretary

SEAL:



State of Wisconsin  
**Department of Health and Family Services**

---

Tommy G. Thompson, Governor  
Joe Lekan, Secretary

October 14, 1999

~~The~~ Honorable Judy Robson, Co-Chairperson  
Joint Committee for Review of Administrative Rules  
Room 15 South, State Capitol  
Madison, Wisconsin

Dear Senator Robson:

The Department of Health and Family Services has three emergency rulemaking orders in effect that will expire before the emergency rules are replaced by permanent rules unless the effective periods of the emergency orders are extended. Pursuant to s. 227.24(2), Stats., I ask the Joint Committee to extend the effective periods of the emergency orders by the number of days indicated below. The emergency rules are as follows:

1. **Operation of BadgerCare.** These emergency rules, amendments to HFS 101 to 103 and 108, were published on July 1, 1999, and will expire on November 27, 1999, unless extended. The order creates rules for the operation of the BadgerCare program under s. 49.665, Stats. Under BadgerCare, families with incomes up to 185% of the federal poverty level, but not low enough to be eligible for regular Medical Assistance (MA) coverage of their health care costs, and that lack access to group health insurance, are eligible to have BadgerCare pay for their health care costs. Benefits under BadgerCare are identical to the comprehensive package of benefits provided by MA. The order modifies the Department's MA rules to fit in the BadgerCare program. Replacement permanent rules were sent to the Legislative Council for review on July 9, 1999 and taken to public hearings in late August 1999. The Department expects to send them to the Legislature for review in early November 1999 but will not be able to file them until at least mid-December for a February 1, 2000 effective date. Therefore I request an extension of the effective period of the emergency rules by 60 days, through January 25, 2000. If the effective period of the emergency rules is not extended, in the interim the Department will not have the authority to operate BadgerCare.

2. **Operation of the Health Insurance Risk-Sharing Plan (HIRSP).** These emergency rules, amendments to HFS 119, were published to take effect on July 1, 1999, and will expire on November 27, 1999, unless extended. The order increases premium rates for both unsubsidized and subsidized policies that provide supplemental coverage for persons eligible for Medicare and adjusts total insurer assessments and provider payment rates for the last 6 months of 1999 and again for the first 6 months of 2000. The Department is authorized by s. 149.143 (4), Stats., to promulgate these rule changes by using emergency rulemaking procedures but without having to make a finding of emergency. Identical replacement permanent rules were sent to the Legislative Council for review on July 14, 1999 and were taken to public hearing on September 9, 1999. The Department expects to send them to the Legislature for review by the end of October 1999

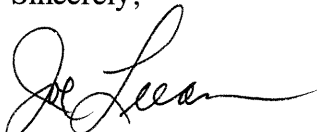
Senator Robson  
October 14, 1999  
Page 2

but will not be able to file them until at least mid-December 1999 for a February 1, 2000 effective date. Therefore I request an extension of the effective period of the emergency rules by 60 days, through January 25, 2000.

**3. Refresher Training in CPR and First Aid for Specialized Medical Vehicle (SMV) Drivers under the Medical Assistance Program.** These emergency rules, amendments to HFS 105.39 (4) (b) 3., were published on July 3, 1999, and will expire on November 29, 1999, unless extended. The order updates requirements for refresher training in cardiopulmonary resuscitation (CPR) and first aid for drivers of specialized medical vehicles (SMVs) under the Medical Assistance program. The Department's intention in publishing the rule changes by emergency order was to relieve SMV providers and drivers of the time and expense of training requirements that were in excess of the requirements of the organizations that certified the drivers on the basis of the training. Replacement permanent rule amendments were sent to the Legislative Council for review on July 15, 1999, taken to public hearing on September 1, 1999, and submitted to the Legislature on September 23, 1999, for review by standing committees, but cannot be filed until mid-November 1999 for an expected January 1, 2000 effective date. Therefore, I request an extension of the effective period of the emergency rules by 33 days, through December 31, 1999. If the effective period of the emergency amendments is not extended, in the interim some SMV providers and drivers would be once again needlessly burdened by the requirements in effect before July 3, 1999.

Copies of the three emergency rulemaking orders are attached to this letter. If you have any questions about the emergency rules relating to the operation of HIRSP, you may contact Randy McElhose of the Department's Division of Health Care Financing at 267-7127. If you have any questions about the emergency rules relating to the operation of BadgerCare, you may contact Jim Jones of the Department's Division of Health Care Financing at 266-9435. If you have any questions about the emergency rules relating to refresher training in CPR and first aid for drivers of specialized medical vehicles under the Medical Assistance program, you may contact Alfred Matano at 267-6848.

Sincerely,



Joe Leean  
Secretary

Attachments

cc Representative Grothman



WISCONSIN STATE SENATE

**RODNEY C. MOEN**

SENATOR - 31ST DISTRICT

---

State Capitol, P.O. Box 7882, Madison, Wisconsin 53707-7882 Phone: (608) 266-8546 Toll-free Hotline: 1-800-362-9472

May 25, 1999

Joe Leean, Secretary  
Department of Health and Family Services  
Room 650, One West Wilson St.  
Madison, WI 53702

Dear Joe,

As Chair of the Senate Committee on Health, Utilities and Veterans and Military Affairs, I am writing to request a meeting with representatives from your department to review Clearinghouse Rule 99-004, relating to operation of the health insurance risk-sharing plan (HIRSP).

I will be contacting your office in the near future to discuss a date for the meeting. Thank you for your consideration of this request.

Sincerely,

A handwritten signature in black ink, appearing to be "Rodney C. Moen", written over the word "Sincerely,".

Rodney C. Moen

CC: Senator Judy Robson





Tommy G. Thompson  
Governor

Joe Leean  
Secretary

## State of Wisconsin

Department of Health and Family Services

OFFICE OF LEGAL COUNSEL

1 WEST WILSON STREET  
P.O. BOX 7850  
MADISON WI 53707-7850

TELEPHONE: (608) 266-8428

June 30, 1999

JUN 30 RECD

✓ The Honorable Judy Robson, Co-Chairperson  
Joint Committee for Review of Administrative Rules  
Room 15 South, State Capitol  
Madison, Wisconsin

The Honorable Glenn Grothman, Co-Chairperson  
Joint Committee for Review of Administrative Rules  
Room 15 North, State Capitol  
Madison, Wisconsin

Dear Senator Robson and Representative Grothman:

This is notification that the Department will publish two emergency rulemaking orders to take effect on July 1, 1999. One order will amend the rules for operation of the Health Insurance Risk-Sharing Plan (HIRSP) to raise premium rates for policies that provide supplemental coverage for persons eligible for Medicare and to adjust total insurer assessments and the provider payment rate. The other will create rules for operation of the BadgerCare program. Copies of the emergency orders are attached to this letter.

The Department's authority to increase **HIRSP** premium rates and adjust total insurer assessments and provider payment rates for a plan year is set out in s. 149.143 (2), Stats. The Department is authorized by s. 149.143 (4), Stats., to promulgate these rule changes by using emergency rule-making procedures but without having to make a finding of emergency. The HIRSP premium rates are being increased only for policyholders eligible for Medicare because costs of treatment for these individuals have increased in recent years much more than for other policyholders.

The rules for operation of **BadgerCare** are mainly new rules but incorporated into four chapters of the Department's rules for the Medical Assistance program, and some current rules for the Medical Assistance program are made to apply also to BadgerCare. Section 49.665, Stats., at several places, directs the Department to promulgate rules for the BadgerCare program. Although the program statute for BadgerCare was effective in October 1997, the federal waiver which permitted the Department to implement BadgerCare was not received until January 1999. It has taken the Department since then to develop the rules. The Department is publishing the rules by emergency order so that already authorized health care coverage can be provided as quickly as possible to many families currently not covered by health insurance or eligible for Medical Assistance and unable to pay for needed health care.

If you have any questions about the emergency rules relating to HIRSP, you may contact Patricia McCollum of the Department's Division of Health Care Financing at 267-9467. If you have

any questions about the emergency rules relating to BadgerCare, you may contact Pris Boroniec of the Department's Division of Health Care Financing at 266-2522.

Sincerely,

A handwritten signature in black ink that reads "Paul E. Menge". The signature is written in a cursive style with a long horizontal stroke at the end.

Paul E. Menge  
Administrative Rules Manager

Attachments



State of Wisconsin  
**Department of Health and Family Services**

Tommy G. Thompson, Governor  
Joe Leean, Secretary

JUL 08 REC'D

July 2, 1999

The Honorable Judy Robson  
Wisconsin State Senate  
P.O. Box 7882  
Madison, WI 53707-7882

Dear Senator Robson:

Thank you for your letter regarding the Health Insurance Risk Sharing Plan (HIRSP). Responses to your questions are presented below:

- I. **Plan 2 Rates:** You requested a copy of the actuarial study used to determine Plan 2 rates with an explanation regarding how the rates conform to state law. Your letter referenced s.149.143(1)(b)1.a., which requires that "premiums are set at 150 percent of the rate a standard risk would be charged under an individual policy providing substantially the same coverage and deductibles as are provided under the plan . . ." I have enclosed a copy of the July 1998 version of HIRSP actuarial analysis. Information regarding Plan 2 premiums can be found on pages 8 and 9.

As you know, HIRSP Plan 2 is available to persons eligible for Medicare. HIRSP Plan 1 is a major medical plan. The "standard risk rate" is established only for Plan 1 based upon an annual survey of insurers offering a comparable plan. According to the HIRSP actuary, Plan 2 does not have a counterpart in the standard risk private market. Medicare supplement policies are not as comprehensive as HIRSP policies. Therefore, Plan 2 premiums continue to be set in relationship to Plan 1 premiums.

Prior to the transfer of HIRSP from the Office of the Commissioner of Insurance (OCI) to the Department of Health and Family Services (DHFS), premiums for Plan 2 policyholders were set by OCI and the HIRSP Board of Governors at 50 percent of Plan 1 Premiums. At that time, there was no mandatory lower or upper limit on premiums. Plan 1 premiums went as high as 198 percent of the "standard risk rate." Plan 2 premiums were maintained at 50 percent of Plan 1 premiums.

The actuary who had worked on HIRSP for the years prior to the transfer informed DHFS staff that, although previous analyses of HIRSP costs showed that Plan 2 claims costs accounted for approximately 66 percent of total HIRSP claims costs, the Board and OCI maintained Plan 2 premiums at 50 percent of Plan 1. The Board recognized that, with Plan 2 premiums set at 50 percent of Plan 1 premiums, Plan 1 policyholders were subsidizing Plan 2 policyholders if Plan 2 claims costs continued to account for such a

large proportion of total HIRSP claims costs. The Board agreed to revisit how Plan 2 premiums were to be established at some future date.

When DHFS began to review data for the premiums that became effective on July 1, 1998, we reviewed the analysis done by the HIRSP actuary along with HIRSP claims costs data. Consistent with previous years, Plan 2 claims costs accounted for roughly 66 percent of total HIRSP claims costs. This information was presented to the Board of Governors, and the Board approved an increase in Plan 2 premiums to more accurately reflect the ratio of Plan 2 costs to total HIRSP costs.

- II. Policyholder Premium Reduction: You inquired about the amount currently on deposit under s. 20.435(5)(gh), stats., HIRSP premium reduction. As you indicate in your letter, we have determined that \$3.8 million in excess HIRSP policyholder premium payments were collected for premiums paid in calendar year (CY) 1998. As required by statute, the Department is making accounting entries that will indicate the \$3.8 million in premium overpayment.

The calculation of excess premium payments was completed in April 1999 when the HIRSP Board of Governors approved a fiscal reconciliation of total HIRSP plan costs for the 1998 CY. At the same time, DHFS and the HIRSP Board of Governors were establishing the HIRSP budget, including policyholder premium levels, that would become effective July 1, 1999. It was determined that, in order to keep premiums at the lowest level permitted by law (150 percent of the standard risk rate), the full \$3.8 million of excess premiums collected in CY 1998 would need to be applied to fiscal year 2000 premiums. Therefore, the \$3.8 million was not transferred to the continuing appropriation, but rather immediately applied to future premiums. Had this adjustment not been made, policyholder premiums would have risen to 163% of standard risk rates.

- III. Administrative and Overall Program Costs: You asked what components led to the \$7 million increase in HIRSP costs from fiscal year 1997 to 1999 and what impact the increased costs has on policyholders. There are a number of factors that contribute to the increased HIRSP costs. These are explained in the paragraphs that follow. You asked if policyholder premiums would increase as a result of the increase in program costs. In general, the answer is yes, since 60 percent of plan costs are to be generated through policyholder premiums, any increase in plan costs would result in higher premiums. However, since DHFS assumed responsibility for administration of HIRSP, HIRSP Plan 1 policyholder premiums have remained at 150 percent of the standard risk rate, the lowest level permitted by law.

As you know, HIRSP offers health insurance to Wisconsin residents who, due to their medical conditions, are unable to find adequate health insurance coverage in the private market, i.e., they are uninsurable. Persons enrolled in HIRSP have greater risk for high medical expenses. It is reasonable to expect that claims costs for a plan like HIRSP would increase over the years.

It is also reasonable for claims in a high-risk plan like HIRSP to experience "spikes" in claims costs. These "spikes" can be caused by a very small number of HIRSP enrollees. In 1997, in fact, just before HIRSP was transferred from OCI to DHFS, the plan ran out of money. Information reviewed at the time suggested that this was due, in part, to an unanticipated spike in claims costs.

This contributed to the growing concern within the Legislature that HIRSP would become insolvent. At that time, the HIRSP Board of Governors approved a \$1.8 million emergency assessment on insurers. HIRSP claims were held for four months until insurer assessments and policyholder premiums generated enough cash to cover the claims being held.

The increase in HIRSP claims costs is due to medical inflation and the morbidity of the HIRSP population. For example, recent actuarial projections for HIRSP assume a 12 percent trend in HIRSP medical costs from the State Fiscal Year (SFY) 99 to SFY 2000. This trend is about 2 percent higher than health insurance industry trends and contributes to higher HIRSP claims payments. The HIRSP budget also includes an adjustment to account for the fact that when enrollment declines, there is likely to be an increase in the morbidity, or illness, of the enrolled population, resulting in higher claims costs. With medical cost inflation and this increase in morbidity, total claims are expected to increase over time.

For the nine-year period from SFY 1989 until the year HIRSP was transferred from OCI to DHFS in SFY 1998, average policyholder premiums increased by 156 percent from \$1,540 to \$3,936. Insurance assessments went from \$3.7 million to \$13 million. Average claims costs per policyholder increased from \$1,700 to almost \$6,000 per year. HIRSP enrollment declined dramatically from a high of 12,707 in 1992 to 7,318 in 1997, the year before HIRSP transferred to DHFS.

Since DHFS assumed responsibility for HIRSP, we have taken several steps to strengthen and stabilize the financial condition of HIRSP. Claims are now being processed in an average of 10 days. Year end 1998 enrollment statistics show no significant decline in enrollment for the first time since 1994. We have held policyholder premiums to the lowest level permitted by law. The Joint Committee on Finance recently unanimously recommended changes to HIRSP, including all components of a legislative agenda developed by the Department to strengthen the HIRSP program even more. (A copy of this legislative agenda is attached for your convenience.)

Your letter also addresses a \$2 million increase in administrative expenses. Additional resources are necessary to effectively manage HIRSP given the fact that the program is much more complex than it was prior to the changes made by the Legislature when the program transferred from OCI to DHFS. The most significant change was in how the plan was funded.

Prior to the transfer to DHFS, HIRSP was a much simpler self-funded insurance program. The plan was administered much like a private insurance plan under OCI's general oversight. HIRSP was funded through a straightforward 60/40 split of policyholder premiums and assessments on insurance companies. When the budgeted funding was not sufficient to fund the plan for the budget year, insurers were assessed to cover the shortfall.

Current HIRSP statutes, which significantly changed HIRSP, both from the prior program and the Governor's proposal, prescribe a complicated and convoluted funding mechanism along with a retrospective reconciliation of plan costs. These statutory provisions have required significant additional resources to construct the HIRSP budget in a manner consistent with state law, develop reports to monitor funding, develop reimbursement rates and payment methodology, and perform the reconciliation. In addition to the costs for the plan administrator, DHFS incurs costs for actuarial services and the annual audit of the plan's financial statements.

The Department has taken a very deliberate approach to controlling administrative expenditures for HIRSP. At the time HIRSP was transferred, we took every possible step to work within the expectation that administrative costs would not be increased significantly. Even though the Legislature had created a much more complex HIRSP for DHFS to administer, the Legislature did not provide any increase in funding levels to administer the new HIRSP. We scrutinized the estimated HIRSP implementation and ongoing costs of the Medicaid fiscal agent budget and negotiated those costs to a level consistent with the costs associated with the previous plan administrator.

We were forced to prioritize implementation tasks, which resulted in delays in completing some aspects of implementation. We made every effort to not increase administrative costs. However, when it became clear that the new HIRSP required additional resources, we acted promptly to provide additional resources to support HIRSP. Currently, even with the additional administrative costs we have approved to support HIRSP, our administrative costs are approximately 8 percent of benefits, less than the 10-15 percent industry average to administer insurance plans. As part of its audit, the Legislative Audit Bureau noted a need for additional resources given the more complex funding structure enacted in 1997 Wisconsin Act 27.

Despite the declining enrollment, HIRSP claims costs are increasing both overall and on a per capita basis. For CY 1997, an average of 7,603 policyholders incurred an average claims expense of \$414.80 per month. For CY 1998, that amount increased to \$430.67 per month for 7,261 policyholders. In the budget for SFY 2000, it is anticipated that 6,921 policyholders will incur an average of \$545.44 in claims expense per month. These figures do not include any administrative costs.

The Honorable Judy Robson  
Wisconsin State Senate  
July 2, 1999  
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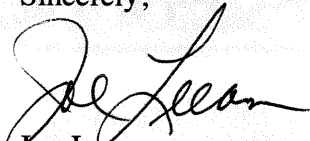
From CY 1998 to SFY 2000, it is estimated that administrative costs for operations will increase \$1.3 million. Again, even with the additional administrative costs we have approved to support HIRSP, our administrative costs are approximately 8 percent of benefits, well below the industry average. Not included in this calculated increase is \$1.1 million in transitional expenses paid in CY 1998.

The claims processing experience has been higher for EDS as well. Statistics show the average monthly volume of claims processed by Blue Cross/Blue Shield for the SFY 1998 was 17,600. For the six-month period July 1998 through December 1998, the average number of claims processed by EDS as the plan administrator has been 22,500 per month.

- IV. Subsidy Information: I have enclosed copies of HIRSP monthly reports from July 1998 through March 1999. Although this is more information than you specifically requested, I thought you may find these reports informative. The payment and reconciliation information is presented according to fiscal year on pages 3a and 3b, and according to calendar year on pages 4a and 4b. A summary of the subsidy information you requested is presented on page 6. We have also provided a separate, more detailed report for March 1999 of subsidy information for your review. All of this information is maintained and accessible through a computerized system.

I hope this answers your questions. Please contact me if I may provide further information.

Sincerely,



Joe Lekan  
Secretary

Enclosures



Tommy G. Thompson  
Governor

Joe Leean  
Secretary



**State of Wisconsin**

**Department of Health and Family Services**

OFFICE OF LEGAL COUNSEL

1 WEST WILSON STREET  
P.O. BOX 7850  
MADISON WI 53707-7850

TELEPHONE: (608) 266-8428

December 30, 1998

The Honorable Robert Welch, Co-Chairperson  
Joint Committee for Review of Administrative Rules  
Room 201, One East Main  
Madison, Wisconsin

The Honorable Glenn Grothman, Co-Chairperson  
Joint Committee for Review of Administrative Rules  
Room 125 West, State Capitol  
Madison, Wisconsin

Dear Senator Welch and Representative Grothman:

This is notification that tomorrow the Department will publish an emergency rulemaking order to amend ch. HFS 119, relating to operation of the Health Insurance Risk-Sharing Plan (HIRSP), effective January 1, 1999. The order increases premium rates for policies that provide supplemental coverage for persons eligible for Medicare, and adjusts total insurer assessments and provider payment rates. A copy of the emergency order is attached to this letter.

The Department's authority to increase premium rates and adjust total insurer assessments and the provider payment rate during a plan year is set out in s. 149.143 (3), Stats., as affected by 1997 Wisconsin Act 27. The Department is authorized by s. 149.143 (4), Stats., as affected by 1997 Wisconsin Act 27, to promulgate these rule changes by using emergency rule-making procedures but without having to make a finding of emergency.

As required by s. 149.20, Stats., as created by 1997 Wisconsin Act 27, Department staff met with the HIRSP Board of Governors on December 11, 1998, to review a draft of these rule amendments.

If you have any questions about these amendments to ch. HFS 119, you may contact Kathy Rogers of the Department's Division of Health Care Financing at 264-7733.

Sincerely,

  
Paul E. Menge  
Administrative Rules Manager

Attachment

 cc - Senator-elect Judy Robson 118N



ORDER OF THE  
DEPARTMENT OF HEALTH AND FAMILY SERVICES  
AMENDING RULES

Section 149.143 (4), Stats., permits the Department to promulgate rules required under s. 149.143(2) and (3), Stats. by using emergency rulemaking procedures, except that the Department is specifically exempted from the requirement under s. 227.24(1) and (3), Stats., that it make a finding of emergency. These are the rules. Department staff consulted with the HIRSP Board of Governors on April 30, 1999 on the proposed rules, as required by s. 149.20, Stats.

Analysis Prepared by the Department of Health and Family Services

The State of Wisconsin in 1981 established a Health Insurance Risk-Sharing Plan (HIRSP) for the purpose of making health insurance coverage available to medically uninsured residents of the state. One type of coverage provided by HIRSP is supplemental coverage for persons eligible for Medicare. This coverage is called Plan 2. Medicare (Plan 2) has a \$500 deductible. Approximately 17% of the 7,291 HIRSP policies in effect on March 31, 1999 were of the Plan 2 type.

The Department through this rulemaking order is amending ch. HFS 119 in order to update HIRSP Plan 2 premium rates in accordance with the authority and requirements set out in s. 149.143 (2) (a) 2., Stats. The Department is required to set premium rates by rule. These rates must be calculated in accordance with generally accepted actuarial principles. Policyholders are to pay 60% of the costs of HIRSP.

There are separate sets of tables in ch. HFS 119 that show unsubsidized and subsidized Plan 2 premium rates. Both sets of tables are amended by this order to increase the premium rates because Plan 2 costs, which historically have been running about 50% less than Plan 1 costs, began to increase several years ago and now are running at about 67% of Plan 1 costs. The Plan 2 premium rates need to be increased to cover increased costs of treatment for individuals enrolled under Plan 2. The order increases these premium rates by about 18%.

In January 1999, the Department published an emergency rule order to increase HIRSP unsubsidized Plan 2 premium rates by about 10%, with the intention of increasing those rates again in July 1999 to the level provided for in this order. However, in May 1999 the Legislature's Joint Committee for the Review of Administrative Rules (JCRAR) refused to extend the effective period of that part of the January 1999 emergency rule order relating to premium rate increases, with the result that effective May 31, 1999, the rates reverted back to the rates in effect before January 1, 1999. Consequently, to increase rates effective July 1, 1999, the Department through this rulemaking order has based the increased rates on the rates in effect prior to January 1, 1999.

The Department through this order is also adjusting the total HIRSP insurer assessments and provider payment rates in accordance with the authority and requirements set out in s. 149.143 (2)(a)3. and 4., Stats. With the approval of the HIRSP Board of Governors

and as required by statute, the Department reconciled total costs for the HIRSP program for calendar year 1998. The Board of Governors approved a reconciliation methodology that reconciles the most recent calendar year actual HIRSP program costs, policyholder premiums, insurance assessments and health care provider contributions collected with the statutorily required funding formula. By statute, the adjustments for the calendar year are to be applied to the next plan year budget beginning July 1, 1999.

The result of this reconciliation process for calendar year 1998 indicated that insurance assessments collected were greater than the 20% of costs (net of the GPR contribution from appropriation s. 20.435(5)(af), Stats.), required of insurers. Also, the calendar year 1998 reconciliation process showed that an insufficient amount was collected from health care providers. As a result of this reconciliation, the insurer assessments for the time periods July 1, 1999 through December 31, 1999 and January 1, 2000 through June 30, 2000, are reduced to offset the overpayment in 1998. The total adjustments to the provider payment rates for the same time periods are sharply increased in order to recoup the provider contribution that was not collected in calendar year 1998. The budget for the plan year ending June 30, 2000 and the calendar year 1998 reconciliation process were approved by the HIRSP Board of Governors in April 1999.

ORDER

Pursuant to authority vested in the Department of Health and Family Services by s. 149.143(2)(a) 2., 3. and 4., (3) and (4), Stats., the Department of Health and Family Services hereby amends rules interpreting s. 149.143, Stats., as follows:

SECTION 1. HFS 119.07 (6) (b) (intro.) and Medicare Plan tables are amended to read:

HFS 119.07(6)(b) (intro.) Annual premiums for major medical plan policies with standard deductible. The schedule of annual premiums beginning ~~July 1, 1998~~ July 1, 1999, for persons not entitled to a premium reduction under s. 149.165, Stats., is as follows:

MEDICARE PLAN – Males			
Age Group	Zone 1	Zone 2	Zone 3
0-18	<del>888</del> 1,008	<del>792</del> 924	<del>708</del> 816
19-24	<del>888</del> 1,008	<del>792</del> 924	<del>708</del> 816
25-29	<del>888</del> 1,032	<del>792</del> 936	<del>708</del> 828
30-34	<del>1,020</del> 1,164	<del>912</del> 1,056	<del>816</del> 936
35-39	<del>1,140</del> 1,332	<del>1,020</del> 1,212	<del>912</del> 1,068
40-44	<del>1,380</del> 1,620	<del>1,248</del> 1,440	<del>1,092</del> 1,272
45-49	<del>1,716</del> 2,040	<del>1,536</del> 1,824	<del>1,380</del> 1,632
50-54	<del>2,208</del> 2,700	<del>1,992</del> 2,424	<del>1,764</del> 2,148
55-59	<del>2,892</del> 3,504	<del>2,616</del> 3,156	<del>2,316</del> 2,808
60+	<del>3,552</del> 4,308	<del>3,192</del> 3,876	<del>2,832</del> 3,444

MEDICARE PLAN – Females

Age Group	Zone 1	Zone 2	Zone 3
0-18	<u>\$8881,008</u>	<u>\$792924</u>	<u>\$708816</u>
19-24	<u>1,2241,392</u>	<u>1,1161,272</u>	<u>9721,116</u>
25-29	<u>1,2841,500</u>	<u>1,1521,356</u>	<u>1,0321,188</u>
30-34	<u>1,4041,644</u>	<u>1,2721,488</u>	<u>1,1281,332</u>
35-39	<u>1,5121,788</u>	<u>1,3681,620</u>	<u>1,2121,428</u>
40-44	<u>1,6801,980</u>	<u>1,5121,800</u>	<u>1,3321,584</u>
45-49	<u>1,9442,340</u>	<u>1,7522,088</u>	<u>1,5601,872</u>
50-54	<u>2,1842,688</u>	<u>1,9562,400</u>	<u>1,7522,148</u>
55-59	<u>2,4963,072</u>	<u>2,2442,772</u>	<u>1,9922,436</u>
60+	<u>2,9403,600</u>	<u>2,6403,228</u>	<u>2,3402,880</u>

SECTION 2. HFS 119.07 (6)(c)2. (intro.) and tables are amended to read:

HFS 119.07(6)(c) *Base rates for calculating premium reductions*. 2. (intro.) The annual base rates for calculating premium reductions under s. HFS 119.12 that are applicable to standard risks under individual policies providing substantially the same coverage and deductibles as the plan's medicare plan are as follows beginning ~~July 1, 1998~~ July 1, 1999:

MEDICARE PLAN – Males  
(Base for Reduced Rates)

Age Group	Zone 1	Zone 2	Zone 3
0-18	<u>\$588672</u>	<u>\$528612</u>	<u>\$468540</u>
19-24	<u>588672</u>	<u>528612</u>	<u>468540</u>
25-29	<u>588684</u>	<u>528624</u>	<u>468552</u>
30-34	<u>684780</u>	<u>612708</u>	<u>540624</u>
35-39	<u>756888</u>	<u>672804</u>	<u>600708</u>
40-44	<u>9121,068</u>	<u>828960</u>	<u>732852</u>
45-49	<u>1,1401,356</u>	<u>1,0201,212</u>	<u>9121,080</u>
50-54	<u>1,4641,788</u>	<u>1,3201,608</u>	<u>1,1761,428</u>
55-59	<u>1,9322,340</u>	<u>1,7402,100</u>	<u>1,5361,872</u>
60+	<u>2,3642,868</u>	<u>2,1242,580</u>	<u>1,8842,292</u>

MEDICARE PLAN – Females  
(Base for Reduced Rates)

Age Group	Zone 1	Zone 2	Zone 3
0-18	<u>\$588672</u>	<u>\$528612</u>	<u>\$468540</u>
19-24	<u>816924</u>	<u>732840</u>	<u>648744</u>
25-29	<u>852996</u>	<u>768900</u>	<u>684792</u>
30-34	<u>9361,092</u>	<u>840984</u>	<u>744876</u>
35-39	<u>1,0081,188</u>	<u>9001,068</u>	<u>804948</u>
40-44	<u>1,1161,320</u>	<u>9961,188</u>	<u>8881,056</u>

45-49	<u>1,2841,548</u>	<u>1,1641,392</u>	<u>1,0321,236</u>
50-54	<u>1,4521,788</u>	<u>1,3081,596</u>	<u>1,1641,428</u>
55-59	<u>1,6562,040</u>	<u>1,4881,836</u>	<u>1,3321,632</u>
60+	<u>1,9562,400</u>	<u>1,7642,160</u>	<u>1,5601,920</u>

SECTION 3. HFS 119.15, as amended by emergency order effective January 1, 1999, is amended to read:

HFS 119.15 INSURER ASSESSMENTS AND PROVIDER PAYMENT RATES.

(1) PURPOSE. This section implements s. 149.143 (2) (a) 3. and 4., Stats.

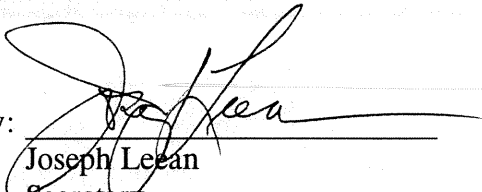
(2) INSURER ASSESSMENTS. The insurer assessments for the time period ~~January 1, 1999~~ July 1, 1999 through June 30, 1999 ~~December 31, 1999~~ total \$4,043,589 ~~\$2,975,605~~. The insurer assessments for the time period January 1, 2000 through June 30, 2000 total \$3,055,065.

(3) PROVIDER PAYMENT RATES. The total adjustment to the provider payment rates for the time period ~~January 1, 1999~~ July 1, 1999 through June 30, 1999 ~~December 31, 1999~~ is \$4,043,589 ~~\$ 4,847,134~~. The total adjustment to the provider payment rates for the time period January 1, 2000 through June 30, 2000 is \$ 4,926,594.

The rules contained in this order shall take effect as emergency rules on July 1, 1999.

Wisconsin Department of Health and Family Services

Dated: June 16, 1999

By:   
 Joseph Lekan  
 Secretary

SEAL:

**FISCAL ESTIMATE**

DOA-2048 N(R10/96)

- ORIGINAL
- CORRECTED
- UPDATED
- SUPPLEMENTAL

**Subject**

**HEALTH INSURANCE RISK-SHARING PLAN (HIRSP)**

**Fiscal Effect**

State:  No State Fiscal Effect

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

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

- Increase Existing Appropriation
- Decrease Existing Appropriation
- Create New Appropriation
- Increase Existing Revenues
- Decrease Existing Revenues

Decrease Costs

Local:  No local government costs

- |  |  |  |
|--|--|--|
| 1. <input type="checkbox"/> Increase Costs<br><input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory<br>2. <input type="checkbox"/> Decrease Costs<br><input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | 3. <input type="checkbox"/> Increase Revenues<br><input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory<br>4. <input type="checkbox"/> Decrease Revenues<br><input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | 5. Types of Local Governmental Units Affected:<br><input type="checkbox"/> Towns <input type="checkbox"/> Villages <input type="checkbox"/> Cities<br><input type="checkbox"/> Counties <input type="checkbox"/> Others _____<br><input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts |
|--|--|--|

Fund Sources Affected  
 GPR  FED  PRO  PRS  SEG  SEG-S

Affected Ch. 20 Appropriations

**Assumptions Used in Arriving at Fiscal Estimate**

This order updates Health Insurance Risk-Sharing Plan (HIRSP) premium rates effective July 1, 1999 for both unsubsidized and subsidized HIRSP policies that provide supplemental health insurance coverage for persons eligible for Medicare, and adjusts total HIRSP insurer assessments and the provider payment rate, first for the 6-month period beginning January 1, 1999, and then for the 6-month period beginning January 1, 2000.

To cover Plan costs, the Department is directed by s. 149.143 (2) (a) 2., 3. and 4., Stats., to set premium rates and total insurer assessments for each Plan year and to adjust the provider payment rate for each Plan year. That is being done through this order for the Plan year beginning July 1, 1999.

The rule changes will not by themselves affect the expenditures or revenues of state government or local governments. They adjust premiums, as expected under the program statute, to help offset program costs and adjust the total insurer assessments and the provider payment rate in accordance with a statute-specified methodology, also to offset program costs.

**Long-Range Fiscal Implications**

Agency/Prepared by: (Name & Phone No.)

H&FS/Randy McElhose. 267-7127

Authorized Signature/Telephone No.

*John Kiesow*  
John Kiesow. 266-9622

Date

6-16-99.