



Carol Roessler
STATE SENATOR

To: Members of the Senate Committee on Health, Children, Families, Aging and Long Term Care

From: Senator Carol Roessler, Chair

Date: August 12, 2004

Re: Clearinghouse Rule 04-056, relating to operation of the health insurance risk-sharing plan (HIRSP)

CR 04-056 has been referred to the Senate Health, Children, Families, Aging and Long Term Care Committee. The Department of Health and Family Services, through this rule making order amends ch. HFS 119 in order to update HIRSP premium rates in accordance with the authority and requirements set out in s. 149.143 (2) (a), Stats. The Department is required to set premium rates by rule. HIRSP premium rates must be calculated in accordance with generally accepted principles.

The Department is also increasing total HIRSP insurer assessments and reducing provider payment rates, in accordance with the authority and requirements set out in s. 149.143 (2) (a) 3., and 4., Stats.

Emergency rules were published on June 29, 2004, for a July 1, 2004 effective date. The proposed permanent rules closely resemble the emergency rules, but were clarified and modified in accordance with recommendations made by the Legislative Council's Rules Clearinghouse.

If you would like the committee to hold a hearing on CR 04-056, please contact Jennifer Stegall in my office by **Monday August 23, 2004**.



State of Wisconsin
Department of Health and Family Services

Jim Doyle, Governor
Helene Nelson, Secretary

July 28, 2004

The Honorable Alan J. Lasee, President
Wisconsin State Senate
17 West Main St., Room 401
Madison, WI 53702

The Honorable John Gard, Speaker
Wisconsin State Assembly
17 West Main St., Room 208
Madison, WI 53702

Re: Clearinghouse Rule 04-056
HFS 119, relating to operation of the health insurance risk-sharing plan (HIRSP).

Gentlemen:

In accordance with the provisions of s. 227.19 (2), Stats., you are hereby notified that the above-mentioned rules are in final draft form. This notice and the report required by s. 227.19 (3), Stats., are submitted herewith in triplicate.

The rules were submitted to the Legislative Council for review under s. 227.15, Stats. A copy of the Council's report is also enclosed.

If you have any questions about the rules, please contact Randy McElhose at 267-7127

Sincerely,

A handwritten signature in black ink, appearing to read 'Helene Nelson', written over a light-colored background.

Helene Nelson
Secretary

cc Gary Poulson, Assistant Revisor of Statutes
Senator Joseph Liebham, JCRAR
Representative Glenn Grothman, JCRAR
Randy McElhose, DHFS-DHCF
Ron Hermes, DHFS Secretary's Office

**PROPOSED ADMINISTRATIVE RULES – HFS 119
ANALYSIS FOR LEGISLATIVE STANDING COMMITTEES
PURSUANT TO S. 227.19 (3), STATS.**

Basis and Purpose of Proposed Rules

The State of Wisconsin in 1981 established a Health Insurance Risk-Sharing Plan (HIRSP). HIRSP provides major medical health insurance for persons who are covered under Medicare because they are disabled, persons who have tested positive for HIV, and persons who have been refused coverage or cannot get coverage at an affordable price in the private health insurance market because of their mental or physical health conditions. 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 (called creditable coverage) for at least 18 months in the past. HIRSP offers different types of medical care coverage plans for residents. According to state law, HIRSP policyholder premium rates must fund sixty percent of plan costs. The remaining funding for HIRSP is to be provided by insurer assessments and adjustments to provider payment rates, in co-equal twenty percent amounts.

HIRSP Plan 1 is for policyholders that do not have Medicare. Ninety percent of the 17,669 HIRSP policies in effect in February 2004 were of the Plan 1 type. Plan 1 has Option A (\$1,000 deductible) or Option B (\$2,500 deductible). The rates for Plan 1 contained in this rulemaking order increase an average of 12.2% for policyholders not receiving a premium reduction. The average rate increase for policyholders receiving a premium reduction is also 12.2%. Rate increases for individual policyholders within Plan 1 range from 9.6% to 13.5%, depending on a policyholder's age, gender, household income, deductible and zone of residence within Wisconsin. Plan 1 rate increases reflect general and industry-wide premium increases and take into account the increase in costs associated with Plan 1 claims.

HIRSP Plan 2 is for persons eligible for Medicare because of a disability or because they become age-eligible for Medicare while enrolled in HIRSP. Plan 2 has a \$500 deductible. Ten percent of the 17,669 HIRSP policies in effect in February 2004 were of the Plan 2 type. The rate increases for Plan 2 contained in this rulemaking order increase an average of 18.4% for policyholders not receiving a premium reduction. The average rate increase for policyholders receiving a premium reduction is also 18.4%. Rate increases for individual policyholders within Plan 2 range from 15.7% to 20.0%, depending on a policyholder's age, gender, household income and zone of residence within Wisconsin. Plan 2 rate increases reflect general and industry-wide cost increases and take into account the increase in costs associated with Plan 2 claims. Plan 2 premiums are also set in accordance with the authority and requirements set out in s. 149.14 (5m), Stats.

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

* The Department through this rulemaking order is also increasing total HIRSP insurer assessments and reducing 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 2003. The Board of Governors approved a 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, 2004. The total annual contribution to the HIRSP budget provided by an assessment on insurers is \$32,446,282. The total annual contribution to the HIRSP budget provided by an adjustment to the provider payment rates is \$34,122,977. On April 21, 2004, the HIRSP Board of Governors approved the calendar year 2003 reconciliation process. On April 21, 2004, the Board also approved the HIRSP budget for the plan year July 1, 2004 through June 30, 2005.

Emergency rules were published on June 29, 2004, for a July 1, 2004 effective date. The proposed permanent rules closely resemble the emergency rules, but were clarified and modified in accordance with recommendations made by the Legislative Council's Rules Clearinghouse.

Response to Clearinghouse Recommendations

All comments of the Legislative Council's Rules Clearinghouse were accepted.

Effect on Small Business (Final Regulatory Analysis)

The rule changes will not affect insurers that are small businesses, as "small business" is defined in s. 227.114 (1) (a), Stats. Although the program statutes and rules provide for assessment of insurers to help finance the Health Insurance Risk—Sharing Plan (HIRSP), no assessed insurer is a small business as defined in s. 227.114 (1) (a), Stats. Moreover, s. 149.143, Stats., prescribes how the amount of an insurer's assessment to help finance HIRSP is to be determined. The rule changes may affect some health care providers that are small businesses. The net effect of HIRSP on small business health care providers is unknown.

Changes to the Rulemaking Order Analysis or Fiscal Estimate

Changes to Rulemaking Order Analysis

The Department made revisions to the "Anticipated costs incurred by private sector" section and clarified the fiscal impact of the rules based on comments received from the Legislative Council Rules Clearinghouse. New language was added to clarify the distinction between the level of HIRSP premiums required to fund 60% of the program, versus the level of HIRSP premiums required to establish premiums not less than 140% of the industry standard rate. State statutes require HIRSP premiums be established at a level necessary to fund 60% of program costs, but not less than 140% of the industry standard rate. Both premium-setting criteria represent statutory requirements and both are actuarially determined. The 140% criterion constitutes a HIRSP premium floor, but not a ceiling. New language was added clarifying the HIRSP policyholder premium surplus balance and possible disposition thereof, given various statutory requirements.

The Department also removed an extraneous statutory citation from the "Statutory authority" section of the rule's analysis.

The revisions discussed above are shown using strikeouts for deleted text and underlining for added text.

Changes to Fiscal Estimate

The Department clarified the fiscal impact of the rules based on comments received from the Legislative Council Rules Clearinghouse. New language was added to clarify the distinction between the level of HIRSP premiums required to fund 60% of the program, versus the level of HIRSP premiums required to establish premiums not less than 140% of the industry standard rate. State statutes require HIRSP premiums be established at a level necessary to fund 60% of program costs, but not less than 140% of the industry standard rate. Both premium-setting criteria represent statutory requirements and both are actuarially determined. The 140% criterion constitutes a HIRSP premium floor, but not a ceiling. New language was added clarifying the HIRSP policyholder premium surplus balance and possible disposition thereof, given various statutory requirements. Finally, for context, new language was added regarding the current size and volatility of HIRSP's estimated policyholder surplus balance.

The revisions discussed above are shown using strikeouts for deleted text and underlining for added text.

Public Hearing and Written Comment Summary

The Department held one public hearing in Madison on July 13, 2004 in order to receive comments from the public on both the HIRSP emergency rules and proposed permanent rules. Randy McElhose and Keith Pollock, of the Department's Division of Health Care Financing staffed the hearing. No people attended the hearing or submitted written or oral comments regarding the rules. The Department's comment period remained open until July 19, 2004.

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

To amend HFS 119.07 (6) (b) to (d) and 119.15 (2) and (3) relating to operation of the health insurance risk-sharing plan (HIRSP).

Analysis Prepared by the Department of Health and Family Services

Statute interpreted: The rule interprets ss. 149.14 (5m), 149.142, 149.143, 149.146, and 149.165, Stats.

Statutory authority: The department's authority to amend these rules is found in ss. 149.143 (2) (a) 2., 3., and 4., and ~~(3)~~, Stats., and 227.11 (2) Stats.

Explanation of agency authority: Pursuant to s. 149.143 (2) (a) 2., 3., and 4., Stats., the Department is required to set HIRSP premium plan rates for the new year, insurer assessment rates and provider payment rates. HIRSP policyholder premium rates must fund sixty percent of plan costs. The remaining funding for HIRSP is to be provided by insurer assessments and adjustments to provider payment rates, in co-equal twenty percent amounts.

Related statute or rule: 149.14(5m), 149.142, 149.143 (2) (a) 2. 3., and 4., 149.146, and 149.165, Stats.

Plain language analysis:

The State of Wisconsin in 1981 established a Health Insurance Risk-Sharing Plan (HIRSP). HIRSP provides major medical health insurance for persons who are covered under Medicare because they are disabled, persons who have tested positive for HIV, and persons who have been refused coverage or who cannot get coverage at an affordable price in the private health insurance market because of their mental or physical health conditions. 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 (called creditable coverage) for at least 18 months in the past. According to state law, HIRSP policyholder premium rates must fund sixty percent of plan costs. The remaining funding for HIRSP is to be provided by insurer assessments and adjustments to provider payment rates, in co-equal twenty percent amounts.

HIRSP Plan 1 is for policyholders that do not have Medicare. Ninety percent of the 17,669 HIRSP policies in effect in February 2004 were of the Plan 1 type. Plan 1 has Option A (\$1,000 deductible) or Option B (\$2,500 deductible). The rates for Plan 1 contained in this rulemaking order increase an average of 12.2% for policyholders not receiving a premium reduction. The average rate increase for policyholders receiving a premium reduction is also 12.2%. Rate increases for individual policyholders within Plan 1 range from 9.6% to 13.5%, depending on a policyholder's age, gender, household income, deductible and zone of residence within Wisconsin. Plan 1 rate increases reflect general and industry-wide premium increases and take into account the increase in costs associated with Plan 1 claims.

HIRSP Plan 2 is for persons eligible for Medicare because of a disability or because they become age-eligible for Medicare while enrolled in HIRSP. Plan 2 has a \$500 deductible. Ten percent of the 17,669 HIRSP policies in effect in February 2004 were of the Plan 2 type. The rate increases for Plan 2 contained in this rulemaking order increase an average of 18.4%

for policyholders not receiving a premium reduction. The average rate increase for policyholders receiving a premium reduction is also 18.4%. Rate increases for individual policyholders within Plan 2 range from 15.7% to 20.0%, depending on a policyholder's age, gender, household income and zone of residence within Wisconsin. Plan 2 rate increases reflect general and industry-wide cost increases and take into account the increase in costs associated with Plan 2 claims. Plan 2 premiums are also set in accordance with the authority and requirements set out in s. 149.14 (5m), Stats.

Summary of, and comparison with, existing or proposed federal regulation:

There are no existing or proposed federal regulations that address rates or assessments for the HIRSP program.

Comparison with rules in adjacent states:

The State of Michigan does not have a plan or program similar to HIRSP. Illinois, Iowa and Minnesota have programs similar to HIRSP. The State of Illinois has the Comprehensive Health Insurance Program (CHIP). The State of Iowa has the Iowa Comprehensive Health Association (ICHA). The State of Minnesota has the Minnesota Comprehensive Health Association (MCHA). All three states establish premiums. All three states utilize premium income and ancillary funding, e.g., state general revenue and insurer assessments. However, unlike Wisconsin, none of these three states utilize state administrative rules to establish premiums, assessments or other fiscal adjustments and parameters for their programs. Rather, Illinois, Iowa and Minnesota all utilize prescriptive state statutes in order to establish premiums, assessments or other fiscal adjustments and parameters for their programs. The following provides additional information.

Illinois: Contact Thomas Jerkovitz @ 217-782-6333.

The State of Illinois Comprehensive Health Insurance Program (CHIP) is a state health benefits program governed by a 17-member Board of Directors. Premiums charged may currently be set by statute at from 125-150 percent of the average rates charged individuals for comparable major medical coverage by five or more of the largest insurance companies in the individual health insurance market in Illinois. Each of CHIP's benefit plans offers deductible options of \$500, \$1,000, \$1,500, \$2,500 or \$5,000.

CHIP is funded partly by premiums paid by its participants and, to the extent that premiums do not meet anticipated expenses, CHIP may receive an appropriation from the State's General Revenue Fund. Actuaries help determine the necessary premiums and assessments. CHIP also assesses health insurers doing business in Illinois. Illinois's statutes are prescriptive and are used to determine CHIP premiums and assessments. Therefore, Illinois administrative rules are not used to determine CHIP premium and assessments. CHIP premiums vary depending on one's age, plan and deductible chosen.

Iowa: Contact Rod Turner @ (515) 245-2278 or Angela Birk Boston @ (515) 281-4119.

Iowa maintains a high-risk pool, called the Iowa Comprehensive Health Association (ICHA) to provide insurance for people with expensive health conditions. To buy ICHA coverage, one cannot be eligible to buy a standard or basic individual health plan, Medicare, or Medicaid or have terminated ICHA coverage within the last 12 months. The annual deductible options are \$500, \$1,000, \$1,500 and \$2,000. In addition, a person is responsible for a coinsurance charge each time care is received, subject to an out-of-pocket maximum.

ICHA premiums are statutorily set at 150 percent of the average rate charged for comparable coverage by the five insurance companies with the largest health insurance premiums or payment volumes doing business in Iowa. ICHA losses in excess of premiums received are reimbursed by insurers. Iowa statutes are prescriptive and are used to determine ICHA premium and assessments. Therefore, Iowa administrative rules are not used to determine ICHA premiums and assessments. ICHA premiums vary depending on one's age, plan and deductible chosen.

Michigan:

The State of Michigan does not have a plan or program similar to HIRSP.

Minnesota: Contact Ms. Lynn Gruber @ 952-593-9609.

The Minnesota Comprehensive Health Association (MCHA) was established in 1976 by the Minnesota Legislature to offer individual health insurance policies to Minnesota residents who have been turned down for health insurance by the private market, due to pre-existing health conditions. MCHA is sometimes referred to as Minnesota's "high-risk pool" for health insurance, or health insurance of last resort. About 30,000 citizens of Minnesota are insured by MCHA.

MCHA is a non-profit Minnesota corporation organized under Chapter 317 of Minnesota law and regulated by the Minnesota Department of Commerce. A nine-member board of directors provides policy direction to MCHA. The annual deductible options are \$500, \$1,000, and \$2,000. By law, MCHA premiums are statutorily set between 101%-125% of the weighted average for comparable policies. MCHA losses in excess of premiums are reimbursed by insurers. Minnesota statutes are prescriptive and are used to determine ICHA premium and assessments. MCHA is not a state agency and does not have state administrative rules. Therefore, Minnesota administrative rules are not used to determine MCHA premiums and assessments.

Summary of factual data and analytical methodologies:

The Department through this order amends ch. HFS 119 in order to update HIRSP premium rates in accordance with the authority and requirements set out in s. 149.143 (2) (a), Stats. The fiscal adjustments contained in this order were developed by an independent actuarial firm on behalf of HIRSP. These fiscal adjustments have been reviewed by Department staff and approved by the HIRSP Board of Governors. By law, the Board is a diverse body composed of consumers, insurers, health care providers, small business and other affected parties.

The Department is required to set premium rates by rule. HIRSP premium rates must be calculated in accordance with generally accepted actuarial principles. The Department through this order is also adjusting 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 2003. The Board of Governors approved a 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, 2004. On April 21, 2004, the HIRSP Board of Governors approved the calendar year 2003 reconciliation process. On April 21, 2004, the Board approved the HIRSP budget for the plan year July 1, 2004 through June 30, 2005.

Analysis and supporting documents used to determine effect on small business or in preparation of economic impact report:

HIRSP program statutes require an assessment of insurers and providers in order to help finance HIRSP. No assessed insurer is a small business as defined in s. 227.114 (1) (a), Stats. However, some health care providers are small businesses. Provider assessments are implemented via a reduced payment to providers for HIRSP services rendered. HIRSP affects small business health care providers by providing them with additional customers and guaranteed payment, including provider payments that are marginally discounted as a result of statutorily required HIRSP assessments. The net fiscal impact of HIRSP on these small business health care providers is unknown.

Anticipated costs incurred by private sector:

The specific entities affected by this rule are HIRSP policyholders, Wisconsin's health insurers, and health care providers who serve HIRSP policyholders. For State Fiscal Year 2005, the required HIRSP insurer assessment is \$32,446,282, a decrease of \$2,997,827 from SFY 2004. For SFY 2005, the required HIRSP provider contribution is \$34,122,977, a decrease of \$5,047,376 from SFY 2004. State statutes require HIRSP premiums be established at a level necessary to fund 60% of program costs, but not less than 140% of the industry standard rate. For SFY 2005, the HIRSP policyholders' actuarially required determined premium contribution to fund 60% of program costs is \$85,713,933, a decrease of \$9,366,073 from SFY 2004.

Although the nominal HIRSP SFY 2005 premium contribution is \$85,713,933, the actual amount policyholders will pay is \$102,812,878, because statutes require that policyholder premiums be established at not less than 140% of the industry standard rate. A remaining policyholder surplus balance of \$17,098,945 will thus be generated by the end of SFY 2005, based on estimates originally made in April 2004. The \$17,098,945 consists of the \$11,859,597 HIRSP policyholder surplus balance on December 31, 2003, and an estimated SFY 2005 policyholder surplus balance of \$5,239,348. Although the total policyholder required amount decreases, this rule increases policyholder premiums in order to comply with the statutory requirements. Plan 1 premiums will increase an average of 12.2% to keep rates at the statutorily-established minimum rate, i.e., 140% of the industry standard rate. Premiums for Plan 2 (the plan for HIRSP policyholders that are also on Medicare) will increase an average of 18.4%, based on the criteria established in statute.

In contrast to insurers and providers, for whom prior year surpluses are used to reduce the actual insurer assessment or provider contribution, surpluses applicable to policyholders may be used only as specified in s. 149.143 (2m) (b), Stats. This involves future HIRSP premium reductions and/or meeting the needs of eligible persons, with the approval of the HIRSP Board, the Department, and the concurrence of the plan actuary. Moderating the rate of future increases in HIRSP premiums is the most likely use of any policyholder surpluses, e.g., limiting future HIRSP premiums to no more than 140% of the industry standard rate.

Regardless, the ending SFY 2005 HIRSP policyholder surplus balance on June 30, 2005, may be significantly less than \$17,098,945, given the recent impact of adverse claims

experience and other factors since the original April 2004 budget determination. For example, HIRSP's current surplus balance decreased from \$12.7 million in March 2004, to \$5.8 million in May 2004, a reduction of \$6.9 million in two months. The rule's fiscal estimate contains additional financial information regarding the HIRSP program.

In total fiscal effect, HIRSP has a marginal impact on the private sector. HIRSP offers health insurance to high medically at-risk citizens, at rates subsidized by health care insurers and providers of service. HIRSP has about 17,700 policyholders, or 0.3% of Wisconsin's population of 5.5 million. HIRSP increases the number of Wisconsin citizens with health insurance. Wisconsin citizens are helped because they can obtain otherwise unavailable health insurance coverage. This allows them to improve their health status. Health care insurers find themselves unable to serve this marketplace niche and health care providers receive additional customers. Many states have similar programs including Illinois, Iowa and Minnesota.

Effect on small business:

HIRSP program statutes require an assessment of insurers and providers in order to help finance HIRSP. The rule changes do not affect health insurers who are small businesses as "small business" is defined in s. 227.114 (1) (a), Stats. The rules changes may affect some health care providers that are small businesses. The net fiscal impact of HIRSP on these small health care providers is unknown.

Agency contact person:

Randy McElhose, HIRSP Administrative Rules
P.O. Box 309
Room B274
1 W. Wilson St.
Madison, WI 53701-0309
MCELHRF@dhfs.state.wi.us
Phone: (608) 267-7127
Fax: (608) 264-7720

These proposed rules are identical to emergency rules issued by the Department that became effective July 1, 2004.

ORDER

SECTION 1. HFS 119.07 (6) (b) to (d) are amended to read:

HFS 119.07 (6) (b) Annual *premiums for major medical plan policies with standard deductible*. The schedule of annual premiums beginning ~~July 1, 2003~~ July 1, 2004, for persons not entitled to a premium reduction under s. 149.165, Stats., is as follows:

MAJOR MEDICAL PLAN – Males			
Age Group	Zone 1	Zone 2	Zone 3
0-18	\$2,232,472	\$2,016,232	\$1,800,980
19-24	2,232,472	2,016,232	1,800,980
25-29	2,340,604	2,100,340	1,860,088

30-34	<u>2,6402,940</u>	<u>2,3882,652</u>	<u>2,1122,352</u>
35-39	<u>3,0723,444</u>	<u>2,7723,108</u>	<u>2,4722,760</u>
40-44	<u>3,6604,128</u>	<u>3,2883,708</u>	<u>2,9283,312</u>
45-49	<u>4,7165,328</u>	<u>4,2484,800</u>	<u>3,7804,272</u>
50-54	<u>6,3127,128</u>	<u>5,6766,420</u>	<u>5,0525,700</u>
55-59	<u>8,3649,396</u>	<u>7,5248,448</u>	<u>6,6847,512</u>
60+	<u>10,83612,084</u>	<u>9,74410,872</u>	<u>8,6649,660</u>

MAJOR MEDICAL PLAN – Females

Age Group	Zone 1	Zone 2	Zone 3
0-18	<u>\$2,2322,472</u>	<u>\$2,0462,232</u>	<u>\$1,8001,980</u>
19-24	<u>2,8443,144</u>	<u>2,5562,820</u>	<u>2,2682,520</u>
25-29	<u>3,1923,516</u>	<u>2,8683,156</u>	<u>2,5562,820</u>
30-34	<u>3,5283,936</u>	<u>3,1803,528</u>	<u>2,8203,144</u>
35-39	<u>4,0324,500</u>	<u>3,6244,044</u>	<u>3,2283,600</u>
40-44	<u>4,5845,172</u>	<u>4,1284,656</u>	<u>3,6844,128</u>
45-49	<u>5,4126,096</u>	<u>4,8725,496</u>	<u>4,3324,872</u>
50-54	<u>6,4807,296</u>	<u>5,8326,564</u>	<u>5,1965,844</u>
55-59	<u>7,5608,520</u>	<u>6,8047,656</u>	<u>6,0486,816</u>
60+	<u>8,9049,984</u>	<u>8,0468,988</u>	<u>7,1287,992</u>

MEDICARE PLAN – Males

Age Group	Zone 1	Zone 2	Zone 3
0-18	<u>\$1,7162,004</u>	<u>\$1,5481,800</u>	<u>\$1,3801,596</u>
19-24	<u>1,7162,004</u>	<u>1,5481,800</u>	<u>1,3801,596</u>
25-29	<u>1,7762,100</u>	<u>1,6081,884</u>	<u>1,4281,680</u>
30-34	<u>2,0162,364</u>	<u>1,8362,136</u>	<u>1,6081,896</u>
35-39	<u>2,3522,772</u>	<u>2,1122,508</u>	<u>1,8842,220</u>
40-44	<u>2,8083,324</u>	<u>2,5202,988</u>	<u>2,2322,676</u>
45-49	<u>3,6124,296</u>	<u>3,2403,876</u>	<u>2,8923,444</u>
50-54	<u>4,8245,748</u>	<u>4,3325,172</u>	<u>3,8644,584</u>
55-59	<u>6,3967,572</u>	<u>5,7486,816</u>	<u>5,1126,048</u>
60+	<u>8,2809,744</u>	<u>7,4408,772</u>	<u>6,6247,800</u>

MEDICARE PLAN – Females

Age Group	Zone 1	Zone 2	Zone 3
0-18	<u>\$1,7162,004</u>	<u>\$1,5481,800</u>	<u>\$1,3801,596</u>
19-24	<u>2,1722,532</u>	<u>1,9442,268</u>	<u>1,7282,028</u>
25-29	<u>2,4362,844</u>	<u>2,1962,556</u>	<u>1,9442,268</u>
30-34	<u>2,7003,180</u>	<u>2,4242,844</u>	<u>2,1482,532</u>
35-39	<u>3,0723,624</u>	<u>2,7723,264</u>	<u>2,4722,904</u>
40-44	<u>3,5164,164</u>	<u>3,1563,744</u>	<u>2,8083,324</u>
45-49	<u>4,1284,920</u>	<u>3,7324,440</u>	<u>3,3123,936</u>
50-54	<u>4,9565,880</u>	<u>4,4525,292</u>	<u>3,9604,716</u>
55-59	<u>5,7846,876</u>	<u>5,2086,180</u>	<u>4,6205,496</u>
60+	<u>6,8048,052</u>	<u>6,1327,236</u>	<u>5,4486,456</u>

HFS 119.07 (6) (c) 1. 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 major medical plan are as follows beginning ~~July 1, 2003~~ July 1, 2004:

MAJOR MEDICAL PLAN – Males
(Base for Reduced Rates)

Age Group	Zone 1	Zone 2	Zone 3
0-18	\$1,5961,764	\$1,4401,596	\$1,2841,416
19-24	1,5961,764	1,4401,596	1,2841,416
25-29	1,6681,860	1,5001,668	1,3321,488
30-34	1,8842,100	1,7041,896	1,5121,680
35-39	2,1962,460	1,9802,220	1,7641,968
40-44	2,6162,952	2,3522,652	2,0882,364
45-49	3,3723,804	3,0363,432	2,7003,048
50-54	4,5125,088	4,0564,584	3,6124,068
55-59	5,9766,708	5,3766,036	4,7765,364
60+	7,7408,628	6,9607,764	6,1926,900

MAJOR MEDICAL PLAN – Females
(Base for Reduced Rates)

Age Group	Zone 1	Zone 2	Zone 3
0-18	\$1,5961,764	\$1,4401,596	\$1,2841,416
19-24	2,0282,244	1,8242,016	1,6201,800
25-29	2,2802,508	2,0522,256	1,8242,016
30-34	2,5202,808	2,2682,520	2,0162,244
35-39	2,8803,216	2,5922,892	2,3042,568
40-44	3,2763,696	2,9523,324	2,6282,952
45-49	3,8644,356	3,4803,924	3,0963,480
50-54	4,6325,208	4,1644,692	3,7084,176
55-59	5,4006,084	4,8605,472	4,3204,872
60+	6,3607,128	5,7246,420	5,0885,712

HFS 119.07 (6) (c) 2. 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, 2003~~ July 1, 2004:

MEDICARE PLAN – Males
(Base for Reduced Rates)

Age Group	Zone 1	Zone 2	Zone 3
0-18	\$1,2241,428	\$1,1041,284	\$9841,140
19-24	1,2241,428	1,1041,284	9841,140
25-29	1,2721,500	1,1521,344	1,0201,200
30-34	1,4401,692	1,3081,524	1,1521,356
35-39	1,6801,980	1,5121,788	1,3441,584
40-44	2,0042,376	1,8002,136	1,5961,908
45-49	2,5803,072	2,3162,772	2,0642,460
50-54	3,4444,104	3,0963,696	2,7603,276

55-59	<u>4,5725,412</u>	<u>4,1044,872</u>	<u>3,6484,320</u>
60+	<u>5,9166,960</u>	<u>5,3166,264</u>	<u>4,7285,568</u>

MEDICARE PLAN – Females
(Base for Reduced Rates)

Age Group	Zone 1	Zone 2	Zone 3
0-18	<u>\$1,2241,428</u>	<u>\$1,1041,284</u>	<u>\$9841,140</u>
19-24	<u>1,5481,812</u>	<u>1,3921,620</u>	<u>1,2361,452</u>
25-29	<u>1,7402,028</u>	<u>1,5721,824</u>	<u>1,3921,620</u>
30-34	<u>1,9322,268</u>	<u>1,7282,028</u>	<u>1,5361,812</u>
35-39	<u>2,1962,592</u>	<u>1,9802,328</u>	<u>1,7642,076</u>
40-44	<u>2,5082,976</u>	<u>2,2562,676</u>	<u>2,0042,376</u>
45-49	<u>2,9523,516</u>	<u>2,6643,168</u>	<u>2,3642,808</u>
50-54	<u>3,5404,200</u>	<u>3,1803,780</u>	<u>2,8323,372</u>
55-59	<u>4,1284,908</u>	<u>3,7204,416</u>	<u>3,3003,924</u>
60+	<u>4,8605,748</u>	<u>4,3805,172</u>	<u>3,8884,608</u>

HFS 119.07 (6) (d) *Annual premiums for major medical plan policies with a \$2,500 deductible.* In accordance with s. 149.146, Stats., an alternative plan of health insurance involving major medical expense coverage is established with a \$2,500 deductible. After the policyholder satisfies the annual \$2,500 deductible, HIRSP will pay 80% of the covered expenses for the next \$5,000 of covered expenses. Policyholders are required to pay the remaining 20% as coinsurance, up to an annual individual maximum of \$1,000. The annual maximum amount a family with 2 or more alternative plans will be required to pay for covered expenses is \$7,000. The schedule of annual premiums for coverage under the alternative plan with a \$2,500 deductible is as follows beginning July 1, 2003 July 1, 2004:

ALTERNATIVE MAJOR MEDICAL PLAN Males

Age Group	Zone 1	Zone 2	Zone 3
0-18	<u>\$1,6081,776</u>	<u>\$1,4521,608</u>	<u>\$1,2961,428</u>
19-24	<u>1,6081,776</u>	<u>1,4521,608</u>	<u>1,2961,428</u>
25-29	<u>1,6801,872</u>	<u>1,5121,680</u>	<u>1,3441,500</u>
30-34	<u>1,8962,112</u>	<u>1,7161,908</u>	<u>1,5241,692</u>
35-39	<u>2,2082,484</u>	<u>1,9922,232</u>	<u>1,7761,992</u>
40-44	<u>2,6402,976</u>	<u>2,3642,664</u>	<u>2,1122,388</u>
45-49	<u>3,3963,840</u>	<u>3,0603,456</u>	<u>2,7243,072</u>
50-54	<u>4,5485,136</u>	<u>4,0924,620</u>	<u>3,6364,104</u>
55-59	<u>6,0246,768</u>	<u>5,4126,084</u>	<u>4,8125,412</u>
60+	<u>7,8008,700</u>	<u>7,0207,824</u>	<u>6,2406,960</u>

ALTERNATIVE MAJOR MEDICAL PLAN Females

Age Group	Zone 1	Zone 2	Zone 3
0-18	<u>\$1,6081,776</u>	<u>\$1,4521,608</u>	<u>\$1,2961,428</u>
19-24	<u>2,0522,268</u>	<u>1,8362,028</u>	<u>1,6321,812</u>
25-29	<u>2,3042,532</u>	<u>2,0642,268</u>	<u>1,8362,028</u>
30-34	<u>2,5442,832</u>	<u>2,2922,544</u>	<u>2,0282,268</u>
35-39	<u>2,9043,240</u>	<u>2,6042,916</u>	<u>2,3282,592</u>
40-44	<u>3,3003,720</u>	<u>2,9763,348</u>	<u>2,6522,976</u>

45-49	<u>3,9004,392</u>	<u>3,5043,960</u>	<u>3,1203,504</u>
50-54	<u>4,6685,256</u>	<u>4,2004,728</u>	<u>3,7444,212</u>
55-59	<u>5,4486,132</u>	<u>4,8965,508</u>	<u>4,3564,908</u>
60+	<u>6,4087,188</u>	<u>5,7726,468</u>	<u>5,1365,760</u>

SECTION 2. HFS 119.15 (2) and (3) are amended to read:

(2) INSURER ASSESSMENTS. The insurer assessments for the time period ~~July 1, 2003 through June 30, 2004 total \$35,444,109.~~ July 1, 2004 through June 30, 2005 total \$32,446,282.

(3) PROVIDER PAYMENT RATES. The total adjustment to the provider payment rates for the time period ~~July 1, 2003 through June 30, 2004 is \$39,170,353.~~ July 1, 2004 through June 30, 2005 is \$34,122,977. HIRSP provider payment rates may not exceed charges. Payment rates for prescription drugs are set under s. 49.46(2) (b) 6.h., Stats. Payment rates for hospital inpatient services utilize hospital-specific inpatient rates established under s. 49.46 (2) (b) 6. e., Stats., and HIRSP-specific weights for diagnostically related groups. Payment rates for hospital outpatient services may not exceed ~~58.85%~~61.32% of charges. Payment rates for other professional services including physicians, labs and therapies are set under s. 49.46 (2) (b), Stats., including a ~~34.7%~~40.4% enhancement under s. 149.142 (1) (a), Stats.

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: _____
Helene Nelson
Secretary

SEAL:

FISCAL ESTIMATE FOR ADMINISTRATIVE RULES

- Original Updated
 Corrected Supplemental

LRB Number	Amendment Number if Applicable
Bill Number	Administrative Rule Number HFS 119

Subject
Chapter HFS 119, the health insurance risk-sharing plan (HIRSP).

Fiscal Effect

State: No State Fiscal Effect

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

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

- Increase Costs – May be possible to absorb within agency's budget.
 Yes No
 Decrease Costs

Local: No Local Government Costs

- | | |
|---|--|
| 1. <input checked="" type="checkbox"/> Increase Costs
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | 3. <input type="checkbox"/> Increase Costs
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory |
| 2. <input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | 4. <input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory |

5. Types of Local Government Units Affected:

- Towns Villages Cities
 Counties Others:
 School Districts WCTS Districts

Private: No Anticipated Significant Fiscal Effect on the Private Sector

1. Possible Incurred Costs Anticipated Costs
2. Types of Private Entities Affected

Fund Sources Affected <input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input checked="" type="checkbox"/> SEG <input type="checkbox"/> SEG-S	Affected Chapter 20 Appropriations 20.435 (4) (v)
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Assumptions Used in Arriving at Fiscal Estimate

The Health Insurance Risk-Sharing Plan (HIRSP) has the purpose of making health insurance coverage available to medically uninsured residents of the state. This order updates HIRSP premiums for policyholders effective July 1, 2004. It also adjusts total HIRSP insurer assessments and provider payment rates for the 12-month period beginning July 1, 2004. This adjustment process is being done in order to reflect changing HIRSP costs and a statute-specified calculation methodology, in order to fund total HIRSP costs.

The fiscal adjustments contained in this order were developed by an independent actuarial firm on behalf of HIRSP. The projected adjustments have been reviewed by DHFS staff and approved by the HIRSP Board of Governors. By law, the Board is a diverse body composed of consumers, insurers, health care providers, small business and other affected parties. By statute, these adjustments include estimates for the annual reconciliation process, which is based on the previous calendar year and implemented in the subsequent plan year. The fiscal adjustments are based upon a combination of a retrospective reconciliation process, current HIRSP expenses, inflation trends in medical care and statutory requirements. The resulting adjustments are then applied to the time-period beginning July 1, 2004. Similar annual fiscal adjustments to the HIRSP rules have occurred in each state fiscal year since 1998.

The amount of \$152,283,191 will be required to be collected from insurers, providers and policyholder in order to fund HIRSP in SFY 2005. The total cost to fund HIRSP in SFY 2005 is estimated to be \$168,006,117. The total required contribution for insurers is \$35,216,294, but due to a prior year surplus of \$2,770,012, the insurers' assessment amount for SFY 2005 is \$32,446,282, a decrease of \$2,997,827 from SFY 2004. The total required contribution for providers is \$35,216,294, but due to a prior year surplus of \$1,093,317, the providers' contribution amount for SFY 2005 is \$34,122,977, a decrease of \$5,047,376 from SFY 2004. The total required contribution for policyholders is \$97,573,530, but due to a prior-year December 31, 2003, policyholder surplus balance of \$11,859,597, policyholders' necessary premium contribution amount for SFY 2005 is \$85,713,933, a decrease of \$9,366,073 from SFY 2004. However, this \$85,713,933 policyholder contribution amount has only a

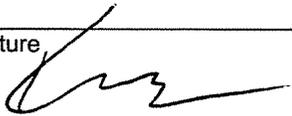
nominal effect. State statutes require HIRSP premiums be established at a level necessary to fund 60% of program costs, but not less than 140% of the industry standard rate. This latter 140% "floor" criterion generates a required \$102,812,878 policyholder premium contribution amount for SFY 2005. Although the total policyholder required amount decreases, this rule increases policyholder premiums in order to comply with the statutory requirements. Plan 1 premiums will increase an average of 12.2% to keep rates at the statutorily-established minimum rate, i.e., 140% of the industry standard rate. Premiums for Plan 2 (the plan for HIRSP policyholders who that are also on Medicare) will increase an average of 18.4% based on the criteria established in statute. Therefore, policyholders will actually pay \$102,812,878 in premiums, which is \$5,239,348 above the required policyholder contribution.

A policyholder surplus balance of \$17,098,945 was originally estimated for the end of SFY 2005, based on a HIRSP budget established in April 2004. (The \$17,098,945 consists of the \$11,859,597 HIRSP policyholder surplus balance on December 31, 2003, and an estimated SFY 2005 policyholder surplus balance of \$5,239,348.) However, recent adverse claims experience and other factors indicate the HIRSP policyholder surplus balance is subject to significant reductions. For example, HIRSP's current policyholder surplus balance decreased from \$12.7 million in March 2004, to \$5.8 million in May 2004, a reduction of \$6.9 million in two months. Current indications in July 2005 are that the ending SFY 2005 HIRSP policyholder surplus on June 30, 2005, may be significantly less than \$17,098,945.

Regardless, in contrast to insurers and providers, for whom prior year surpluses are used to reduce the actual insurer assessment or provider contribution, surpluses applicable to policyholders may be used only as specified in s. 149.143 (2m) (b), Stats. This involves future HIRSP premium reductions and/or meeting the needs of eligible persons, with the approval of the HIRSP Board, the Department, and the concurrence of the plan actuary. Moderating the rate of future increases in HIRSP premiums is the most likely use of any policyholder surpluses, e.g., limiting future HIRSP premiums to no more than 140% of the industry standard rate.

HIRSP affects has an impact on policyholders, insurers and health providers. Under HIRSP, policyholders are required by law to fund 60% of its costs, while Wisconsin's health insurers and health care providers are each required to fund 20%. HIRSP offers health insurance to high medically at-risk citizens, at rates subsidized by healthcare insurers and providers of service. HIRSP has approximately 17,700 policyholders, out of a Wisconsin population of about 5.5 million. HIRSP increases the number of Wisconsin citizens with health insurance. Wisconsin citizens are helped because they can obtain otherwise unavailable health insurance coverage. This allows them to improve their health status. Health care insurers find themselves unable to serve this marketplace niche and health care providers receive additional customers.

Long Range Fiscal Implications

Prepared By Randy McElhose,	Telephone Number 267-7127	Agency DHFS
Authorized Signature 	Telephone Number 266-9622	Date Signed (mm/dd/ccyy) 8-6-07

WRITTEN TESTIMONY

Provided To

The Assembly Committee on Health

The Senate Committee on Health, Children, Families and Long Term Care

Relating To: Clearinghouse Rule 04-056

FY 2005 HIRSP Premium Rate Schedule to Partially Fund the Health Insurance Risk Sharing Plan (HIRSP)

HIRSP Full-premium Funding of HIRSP, Including Premium Subsidy and Deductible Subsidy Amounts, is Budgeted at **\$102,812,878**.

Policyholder FY 2005 Out-of-Pocket Premium Funding is Budgeted at **\$97,429,310**.

Insurer Assessments to Partially Fund HIRSP

Insurer FY 2005 HIRSP Assessment Funding is Budgeted at **\$32,446,282**.

Provider Rate Reductions to Partially Fund HIRSP

Provider FY 2005 Rate Reduction Funding is Budgeted at **\$37,794,414**.

Reference: Proposed Order of the Department of Health and Family Services [CR 04-056] amending rules, to amend HFS 119.07 (6) (b) to (d) and 119.15 (2) and (3) relating to operation of the Health Insurance Risk Sharing Plan (HIRSP).

Testimony of: Robert T. Wood
Corporate Vice President, Government Relations
Wisconsin Physicians Service Insurance Corporation (WPS)

Member, HIRSP Board of Governors

Submitted on: September 13, 2004

Introduction

My name is Robert Wood. I am Corporate Vice President of Government Relations for Wisconsin Physicians Service Insurance Corporation (WPS).

I have served on the Health Insurance Risk Sharing Plan (HIRSP) Board of Governors since December 1987.

I am submitting written testimony for information purposes only.

My testimony will provide information relating to:

The HIRSP Premium Rate Schedule and premium rate increases effective July 1, 2004;

The probable need for an increase in HIRSP policyholder premium rates above and beyond the premium rates currently provided for under CR 04-056, if FY 2005 claim costs continue significantly in excess of FY 2005 claim costs budgeted in the FY 2005 HIRSP budget;

The growth of HIRSP enrollments and program costs over recent years;

The termination effective July 1, 2003 of all State general purpose revenue (GPR) funding for HIRSP operating and administrative costs, including funding for HIRSP premium and deductible subsidy programs;

The premium deficit cost burden imposed by the HIRSP program on Wisconsin citizens;

The HIRSP Budget for FY 2004 (July 1, 2003 - June 30, 2004) vs. actual FY 2004 HIRSP program expenditures and revenue;

The HIRSP Budget for FY 2005 (July 1, 2004 - June 30, 2005);

Provisions of CR 04-056 relating to assessments on insurers and withholding of revenues from providers that are required under statutes to fund budgeted FY 2005 HIRSP expenditures.

The current funding share credit/(debit) status of collections of policyholder premiums (including applicable premium and deductible subsidy amounts), of assessments levied against insurers, and of withholding of provider payments that are required under statutes to fund the HIRSP program.

The FY 2005 HIRSP Premium Rate Schedule

Attachment A, page 1, provides the HIRSP Premium Rate Schedule for FY 2005 promulgated by CR 04-056.

Plan 1A (standard plan, \$1,000 deductible) full premium rates are 140% of the actuarially determined Standard Risk Rate. Plan 1A annual average full premium rate is \$4,681 (Male) and \$4,903 (Female). Individual annual full premium rates vary from a low of \$1,980 (Male/Female/Age 0-18/Zone 3) to highs of \$12,084 (Male/Age 60+/Zone1) and \$9,984 (Female/Age 60+/Zone1).

Plan 1B (standard benefits, \$2,500 deductible) full premium rates are 100.8% of the Plan 1a Standard Risk Rate. Plan 1B annual average full premium rate is \$3,370 (Male) and \$3,540 (Female). Individual annual full premium rates vary from a low of \$1,428 (Male/Female/Age 0-18/Zone 3) to highs of \$8,700 (Male/Age 60+/Zone1) and \$7,188 (Female/Age 60+/Zone1).

Plan2 (Medicare supplement, \$500 deductible) full premium rates are 113% of the Plan 1A Standard Risk Rate. Plan 2 annual average full premium rate is \$3,774 (Male) and \$3,965 (Female). Individual annual full premium rates vary from a low of \$1,596 (Male/Female/Age 0-18/Zone 3) to highs of \$9,744 (Male/Age 60+/Zone1) and \$8,052 (Female/Age 60+/Zone1).

Attachment A, page 2, provides detail of the monthly rate increases above and beyond the rates in effect in FY 2004 which were needed to implement the FY 2005 Rate Schedule.

Plan 1A monthly average full premium rate increase is \$42 (Male) and \$43 (Female). Individual monthly full premium rate increases vary from a low of \$15 per month (Male/Female/Age 0-18/Zone 3) to highs of \$104 per month (Male/Age 60+/Zone1) and \$90 per month (Female/Age 60+/Zone1).

Plan 1B monthly average full premium rate increase is \$30 (Male) and \$32 (Female). Individual monthly full premium rate increases vary from a low of \$11 per month (Male/Female/Age 0-18/Zone 3) to highs of \$75 per month (Male/Age 60+/Zone1) and \$65 per month (Female/Age 60+/Zone1).

Plan 2 monthly average full premium rate increase is \$48 (Male) and \$51 (Female). Individual monthly

full premium rate increases vary from a low of \$18 per month (Male/Female/Age 0-18/Zone 3) to highs of \$122 per month (Male/Age 60+/Zone1) and \$104 per month (Female/Age 60+/Zone1).

Claim costs during the last four months of fiscal year (FY) 2004 (February - June 2004) were less than budgeted in the FY 2004 HIRSP budget, but with significantly lower population than budgeted, the average claim cost per member per month (PMPM) during these four months is estimated at approximately \$766 PMPM, compared to an average \$684 PMPM monthly claim cost budgeted for the second six months of FY 2004 in the FY 2004 HIRSP budget (see **Attachment B**).

Continuing this trend, the July 2004 HIRSP Monthly Report shows July 2004 claim costs were \$3,252,501 in excess of July 2004 claim costs projected in the FY 2005 HIRSP budget. This resulted in an estimated actual July 2004 claim cost of \$884 PMPM compared to an average monthly claim cost of \$708 PMPM budgeted for the first six months of FY 2005.

These claim costs in excess of budgeted PMPM claim costs since February 2004 have resulted in a decline of the accumulated policyholder premium surplus to be accounted for under s. 149.143 (2m) to an unusually low level of \$3,408,111. If HIRSP claim costs continue to significantly exceed claim costs budgeted in the FY 2005 HIRSP budget (see **Attachment C**), the accumulated policyholder premium surplus to be accounted for under s. 149.143 (2m) will almost certainly be totally depleted, and a significant deficit will almost certainly accumulate.

Furthermore, if HIRSP claim costs continue to significantly exceed claim costs budgeted in the FY 2005 HIRSP budget (see **Attachment C**), the HIRSP Board of Governors will very likely need to increase HIRSP policyholder premium rates above and beyond the premium rates currently provided for under CR 04-056.

Recent Growth of HIRSP Enrollments and Costs

During calendar years 2000, 2001 and 2002 HIRSP enrollments more than doubled, from 7,904 policyholders at year-end 1999 to 15,882 at year-end 2002. In calendar year (CY) 2000 enrollments grew 27%, in CY 2001 they grew 26%, and in CY 2002 they grew 26%.

This rapid population growth terminated on or about September 2002. During the 21 months since September 2002 through June 2004, there has been virtually no net growth in either Plan 1A (the standard, \$1,000 deductible plan) or Plan 2 (the Medicare Supplement Plan). Virtually all net growth since approximately September 2002 has occurred in Plan 1B (the standard benefit, \$2500 deductible plan).

Subsidy enrollments, which in CY 1997/1998 were once approximately 40% of total enrollments, are now approximately 20% of total enrollments.

As of June 30, 2004, at the end of FY 2004, HIRSP plan enrollments were as follows:

HIRSP Plan	Full Premium Enrollment	Subsidy Enrollment	Total Enrollment
Plan 1A	5,141	3,171	8,312
Plan 1B	8,319		8,319
Plan 2	964	800	1,764
Total	14,424	3,971	18,395

For comparison purposes, on September 30, 2002, HIRSP Plan 1A enrollment was 8,711 individuals, Plan 1B enrollment was 5,438 individuals, and Plan 2 enrollment was 1,733 individuals.

Addition detail of HIRSP enrollments and demographics as of June 30, 2004, at the end of FY 2004, is provided in **Attachment D**.

Decline in HIRSP population growth has not slowed dramatic increase in HIRSP program costs. When the HIRSP program was transferred to the Department of Health and Family Services in 1998, HIRSP was a \$40 million program. Program costs were \$43.6 million in CY 1998, \$50.5 million in CY 1999, and \$55.1 million in CY 2000. During the next three calendar years, program costs more than doubled to \$75.5 million in CY 2001, \$106.5 million in CY 2002, and 133.3 million in CY 2003.

In CY 2004, HIRSP program costs for the first six months alone were 78.5 million.

On a fiscal year basis, total operating expenditures for FY 2004 costs are reported at \$153.3 million (see **Attachment B**).

The HIRSP budget for FY 2005 adopted by the HIRSP Board of Governors in April 2004 projects operating and administrative costs of \$169.9 million for FY 2004, including \$5,383,568 in premium and deductible subsidy costs (see **Attachment C**).

Elimination of State Funding for HIRSP

The State general purpose revenue (GPR) funding share for HIRSP during FY 1999 through FY 2003 was not tied to growth in HIRSP program costs (as are policyholder, insurer, and provider funding shares), but was set as a sum certain appropriation in the State budget.

State GPR funding represented approximately 28% of total HIRSP program costs in FY 1999, declined to 23% in FY 2000, to 18% in FY 2001, to 12% in FY 2002, reached a new low of 8.8% in FY 2003, and was totally eliminated in the 2003-2005 budget bill, effective July 1, 2003.

Levels of State GPR funding for HIRSP during FY 1999 - FY 2004 are as follows:

Fiscal Year	GPR HIRSP Funding	HIRSP Population as of December 31	Fiscal Year	GPR HIRSP Funding	HIRSP Population as of December 31
FY 1999	\$12.7 million	7,904	FY 2004	\$0	19,099 (budget)
FY 2000	\$10.7 million	10,042			
FY 2001	\$12.7 million	12,606			
FY 2002	\$10.8 million	15,504			
FY 2003	\$10.2 million	17,477			

With the elimination of State GPR funding for HIRSP, increases in HIRSP enrollments and in operating, administrative and subsidy costs have become ever more burdensome on policyholders who must pay proportionately higher out-of-pocket premiums, on insurers who must pay proportionately higher assessments, and on providers who must accept proportionately higher rate reductions in HIRSP reimbursement for covered benefits.

HIRSP Cost Burden

The HIRSP Board is required by statute [s. 149.15 (2)] to report to the Legislature each year the total calendar year cost burden created by the shortfall between policyholder out-of-pocket premium payments and actual operating and administrative costs of the HIRSP program. The HIRSP Annual Report for CY 2003 is currently in final stages of production and review.

HIRSP costs (including premium and deductible subsidy costs) in excess of policyholder out-of-pocket premium payments, must be made up by State GPR deficit funding shares (through June 30, 2003), and by insurer and provider deficit funding shares (which totally fund the deficit after June 30, 2003). This premium deficit cost burden is ultimately passed on to other insureds and other consumers of health care services throughout Wisconsin in the form of higher health insurance premium costs and higher health care costs.

The HIRSP premium deficit cost burden was \$26 million in CY 1998, \$28 million in CY 1999, and \$30 million in CY 2000. Over the next two calendar years, the HIRSP cost burden increased by roughly \$10 million in each year. In CY 2001 the HIRSP cost burden increased to \$38.7 million, and in CY 2002 it increased to \$50 million.

Based on CY 2003 HIRSP reconciliation data approved by the HIRSP Board of Governors in April 2004, the HIRSP cost burden on Wisconsin citizens at year-end CY 2003 can be estimated at roughly \$65.3 million.

If the HIRSP cost burden can be regarded as an indirect tax on health insurance premiums and on health care costs, which it is, this would be approximately a 31% increase in the HIRSP "tax" in CY 2003.

HIRSP Budget for FY 2004 (July 1, 2003 - June 30, 2004) = \$176.7 Million Compared to Actual FY 2004 Expenditures = \$153.3 Million

The Department of Health and Family Services and the HIRSP Board of Governors are charged with responsibility for determining and approving HIRSP premiums and premium rate increases, assessments on insurers, and reductions in provider payments required to fund HIRSP in compliance with Wisconsin statutes, and for preparing, approving and administering annual HIRSP budgets.

At the May 19, 2003 meeting of the HIRSP Board of Governors, the HIRSP Board approved a revised \$176.7 million budget for FY 2004 recommended by the Department of Health and Family Services and by the HIRSP Board's Committee on Financial Oversight for the period July 1, 2003 through June 30, 2004.

This was the largest fiscal year budget ever approved by the HIRSP Board of Governors, but it was based on actuarial projections of continued high growth in enrollments which did not materialize. The HIRSP FY 2004 budget projected net population growth at an average increase of 570 individuals per month and total enrolled population by June 30, 2004 at the end of the fiscal year at 22,714 individuals.

In contrast, actual net population growth during FY 2004 averaged an increase of 115 individuals per month, and total enrolled population on June 30, 2004 at the end of the fiscal year was 18,395 individuals.

Lower than expected growth in the HIRSP population is the main factor that accounts for actual expenditures of \$153.3 million in FY 2004 at \$23.4 million under budget.

Actual FY 2004 claim cost per member per month (PMPM) estimated at \$678 was relatively close to claim cost budgeted at \$684 PMPM.

The FY 2004 HIRSP budget projected a policyholder surplus premium balance at the end of the fiscal year at \$6,565,698. The actual balance on June 30, 2004 was slightly lower at \$5,379,754.

Additional detail of FY 2004 expense and revenue budgets compared to actual expenditures and revenues is provided in **Attachment B**.

HIRSP Budget for FY 2005 (July 1, 2004 - June 30, 2005) = \$169.9 Million

Attachment C provides detail of the FY 2005 expense and revenue budgets approved by the HIRSP Board of Governors on April 21, 2004.

FY 2005 Assessments on Insurers To Fund HIRSP = \$32.4 Million

The larger share of the increasing cost burden of insurer assessments to fund HIRSP is increasingly born as an indirect tax on insurance premiums by those small employers in Wisconsin who provide their employees with insured health care benefits.

The number of insurers assessed every six months over the past four years has varied over that same period from 244 insurers in the first half of 2001 to 296 insurers in the second half of 2001. The total number of insurers assessed in FY 2004 was 290. Thus, the burden of increased insurer assessments to fund HIRSP deficits is assessed on a relatively fixed number of insurers.

Assessments levied on insurers totaled \$8.3 million in FY 1999, \$6 million in FY 2000, \$10 million in FY 2001, \$19.6 million in FY 2002, \$26 million in FY 2003, \$35.4 million in FY 2004, and are budgeted at \$32.4 million in FY 2005.

If HIRSP insurance assessments can be regarded as an indirect tax on other health insurance premiums, which they are, this is a four-fold tax increase since FY 1999.

Because the burden of insurer assessments to fund HIRSP is allocated on the basis of an insurer's market share of business in Wisconsin, that burden is highly concentrated among a small number of highly ranked insurers. Assessments levied on the ten highest ranked insurers accounted for 52% of all insurer assessments levied in FY 2001, 57% of all insurer assessments levied in FY 2002, 58.5% of all insurer assessments levied in FY 2003, and 57.7% of all insurer assessments levied in FY 2004.

Total assessments levied on the ten highest ranked insurers were \$4 million in FY 1999, \$3 million in FY 2000, \$5 million in FY 2001, \$11 million in FY 2002, \$15 million in FY 2003, and can be estimated at \$20.4 million in FY 2004.

Thus, for these ten insurers in Wisconsin, HIRSP assessments more than doubled from FY 2001 to FY 2002, and will have virtually doubled again from FY 2002 to FY 2004. For these ten insurers, assessments that averaged \$400,000 five years ago will have increased five-fold over the last five fiscal years to an average of more than \$2 million per insurer in FY 2004.

Under CR 04-056, the Office of the Commissioner of Insurance will levy **\$32,446,282** in assessments on insurers to fund insurers' 20% statutory share of HIRSP operating and administrative costs and to fund premium and deductible subsidies in FY 2005 (July 1, 2004 - June 30, 2005), as follows:

\$29,754,498 in assessments for insurers' 20% funding share of FY 2005 HIRSP operating and administrative costs.

\$2,691,784 in assessments for HIRSP premium and deductible subsidy costs.

Any excess or shortfall of collection of insurance assessments under the FY 2005 HIRSP budget will be resolved in the CY 2004 reconciliation for application of credits or debits under the FY 2006 HIRSP budget, or in the CY 2005 reconciliation for application of credits or debits under the FY 2007 HIRSP budget.

Estimated Insurer Assessment Current Surplus Balance as of July 31, 2004 = \$4.1 Million

As of July 31, 2004, the HIRSP Monthly Report shows a current surplus balance of \$4,065,026 in excess collection of assessments levied on insurers to fund HIRSP.

FY 2005 Provider Rate Reductions to Fund HIRSP = \$37.8 Million

Under CR 04-056, the Department of Health and Family Services will reduce payments to providers by \$34,122,977 to fund providers' 20% statutory provider shares of HIRSP operating and administrative costs and to fund premium and deductible subsidies in FY 2005 (July 1, 2004 - June 30, 2005), as follows:

\$31,431,193 in withholding of payments to providers to generate the providers' 20% funding share of HIRSP operating and administrative costs.

\$2,691,784 in assessments for HIRSP premium and deductible subsidy costs.

The FY 2005 HIRSP budget projects an additional \$3,671,437 in provider rate reduction funding of operating and administrative costs in addition to the \$34,122,977 of provider contributions provided for under CR 04-056.

Thus, in contrast to CR 04-056, the HIRSP budget projects a total provider funding contribution of \$37,794,414 in FY 2005.

Any excess or shortfall of withholding of provider rate reductions under the FY 2005 HIRSP budget will be resolved in the CY 2004 reconciliation for application of credits or debits under the FY 2006 HIRSP budget, or in the CY 2005 reconciliation for application of credits or debits under the FY 2007 HIRSP budget.

Estimated Provider Withholding Current Surplus Balance as of July 31, 2004 = \$8.2 Million

As of July 31, 2004, the HIRSP Monthly Report shows a current surplus balance of \$8,187,787 in excess provider rate reductions to fund HIRSP.

Estimated Policyholder Current Surplus Premium Balance as of July 31, 2004 Has Declined to \$3.4 Million

As of June 30, 2004, the HIRSP Monthly Report showed the estimated current balance of accumulated policyholder premium surplus to be accounted for under s. 149.143 (2m) at \$5,379,754.

As of July 31, 2004, the HIRSP Monthly Report shows the estimated current balance of accumulated policyholder premium surplus to be accounted for under s. 149.143 (2m) declined to \$3,408,111 because of claim costs significantly in excess of budget in July 2004.

These funds are reserved, as provided for under s. 149.143 (2m), to offset future rate increases needed when premium rates set at 150% of a "standard risk" rate are insufficient to cover 60% of program costs, or for such other needs as may be approved by the HIRSP Board under s. 149.143 (2m) 2.

The HIRSP budget for FY 2005 (see **Attachment C**) projects the balance of accumulated policy holder premium surplus on June 30, 2005, at the end of FY 2005, at \$17,098,945.

Given the unusually low level of the accumulated policyholder premium surplus at the end of July 2004, if claim costs continue in excess of FY 2005 budgeted claim costs, the balance of the accumulated policy holder premium surplus on June 30, 2005, at the end of FY 2005, is likely to be significantly less than projected in the FY 2005 HIRSP budget, and is more likely to be totally depleted or in significant deficit, unless HIRSP policyholder premium rates are increased above and beyond the premium rates currently provided for under CR 04-056.

This concludes my written testimony.

Health Insurance Risk Sharing Plan (HIRSP)

FY 2005 PREMIUM RATE SCHEDULE

Based on Milliman USA, HIRSP Projection of Premium Rates and Budget for July 1, 2004 - June 30, 2005, Appendix A, Pages 1 - 2, Dated April 9, 2004 - As Approved by the HIRSP Board of Governors, April 21, 2004

PLAN 1A - STANDARD PLAN - \$1,000 DEDUCTIBLE
FY 2005 (JULY 1, 2004 - JUNE 30, 2005)

MAJOR MEDICAL PLAN

(140% of Avg. Standard Risk Rate Approximated @ \$3,804)

REDUCED PREMIUM SUBSIDY BASE

(Average Standard Risk Rate Approximated @ \$3,804)

PLAN 1B - \$2,500 DEDUCTIBLE PLAN
FY 2005 (JULY 1, 2004 - JUNE 30, 2005)

ALTERNATIVE MAJOR MEDICAL PLAN

(72% of Plan 1 Rate)

(100.8% of Avg. Standard Risk Rate)

AGE GROUP	ANNUAL PREMIUM		
	ZONE 1 EFFECTIVE JUL.01.2004	ZONE 2 EFFECTIVE JUL.01.2004	ZONE 3 EFFECTIVE JUL.01.2004
0-18	\$2,472	\$2,232	\$1,980
19-24	\$2,472	\$2,232	\$1,980
25-29	\$2,604	\$2,340	\$2,088
30-34	\$2,940	\$2,652	\$2,352
35-39	\$3,444	\$3,108	\$2,760
40-44	\$4,128	\$3,708	\$3,312
45-49	\$5,328	\$4,800	\$4,272
50-54	\$7,128	\$6,420	\$5,700
55-59	\$9,396	\$8,448	\$7,512
60+	\$12,084	\$10,872	\$9,660

AGE GROUP	ANNUAL PREMIUM		
	ZONE 1 EFFECTIVE JUL.01.2004	ZONE 2 EFFECTIVE JUL.01.2004	ZONE 3 EFFECTIVE JUL.01.2004
0-18	\$1,776	\$1,596	\$1,416
19-24	\$1,776	\$1,596	\$1,416
25-29	\$1,860	\$1,688	\$1,488
30-34	\$2,100	\$1,896	\$1,680
35-39	\$2,480	\$2,220	\$1,968
40-44	\$2,952	\$2,652	\$2,364
45-49	\$3,804	\$3,432	\$3,048
50-54	\$5,084	\$4,584	\$4,068
55-59	\$6,708	\$6,036	\$5,364
60+	\$8,628	\$7,764	\$6,900

AGE GROUP	ANNUAL PREMIUM		
	ZONE 1 EFFECTIVE JUL.01.2004	ZONE 2 EFFECTIVE JUL.01.2004	ZONE 3 EFFECTIVE JUL.01.2004
0-18	\$2,472	\$2,232	\$1,980
19-24	\$2,472	\$2,232	\$1,980
25-29	\$3,116	\$3,156	\$2,820
30-34	\$3,936	\$3,528	\$3,144
35-39	\$4,500	\$4,044	\$3,600
40-44	\$5,172	\$4,656	\$4,128
45-49	\$6,096	\$5,496	\$4,872
50-54	\$7,296	\$6,564	\$5,444
55-59	\$8,520	\$7,656	\$6,816
60+	\$9,984	\$8,988	\$7,992

AGE GROUP	ANNUAL PREMIUM		
	ZONE 1 EFFECTIVE JUL.01.2004	ZONE 2 EFFECTIVE JUL.01.2004	ZONE 3 EFFECTIVE JUL.01.2004
0-18	\$1,776	\$1,608	\$1,428
19-24	\$2,268	\$2,028	\$1,812
25-29	\$2,532	\$2,268	\$2,028
30-34	\$2,832	\$2,544	\$2,268
35-39	\$3,240	\$2,916	\$2,592
40-44	\$3,720	\$3,348	\$2,976
45-49	\$4,392	\$3,960	\$3,504
50-54	\$5,256	\$4,728	\$4,212
55-59	\$6,132	\$5,508	\$4,908
60+	\$7,188	\$6,488	\$5,760

AGE GROUP	ANNUAL PREMIUM		
	ZONE 1 EFFECTIVE JUL.01.2004	ZONE 2 EFFECTIVE JUL.01.2004	ZONE 3 EFFECTIVE JUL.01.2004
0-18	\$1,764	\$1,596	\$1,416
19-24	\$2,244	\$2,016	\$1,800
25-29	\$2,508	\$2,256	\$2,016
30-34	\$2,808	\$2,520	\$2,244
35-39	\$3,216	\$2,892	\$2,598
40-44	\$3,696	\$3,324	\$2,952
45-49	\$4,356	\$3,924	\$3,480
50-54	\$5,208	\$4,692	\$4,176
55-59	\$6,084	\$5,472	\$4,872
60+	\$7,128	\$6,420	\$5,712

AGE GROUP	ANNUAL PREMIUM		
	ZONE 1 EFFECTIVE JUL.01.2004	ZONE 2 EFFECTIVE JUL.01.2004	ZONE 3 EFFECTIVE JUL.01.2004
0-18	\$2,472	\$2,232	\$1,980
19-24	\$2,472	\$2,232	\$1,980
25-29	\$3,116	\$3,156	\$2,820
30-34	\$3,936	\$3,528	\$3,144
35-39	\$4,500	\$4,044	\$3,600
40-44	\$5,172	\$4,656	\$4,128
45-49	\$6,096	\$5,496	\$4,872
50-54	\$7,296	\$6,564	\$5,444
55-59	\$8,520	\$7,656	\$6,816
60+	\$9,984	\$8,988	\$7,992

PLAN 2 - MEDICARE SUPPLEMENT PLAN
FY 2005 (JULY 1, 2004 - JUNE 30, 2005)

MEDICARE SUPPLEMENT PLAN

(113% of Avg. Standard Risk Rate)

REDUCED PREMIUM SUBSIDY BASE

(80.7% of Plan 1A Subsidy Base)

(80.7% of Avg. Standard Risk Rate)

AGE GROUP	ANNUAL PREMIUM		
	ZONE 1 EFFECTIVE JUL.01.2004	ZONE 2 EFFECTIVE JUL.01.2004	ZONE 3 EFFECTIVE JUL.01.2004
0-18	\$2,004	\$1,800	\$1,596
19-24	\$2,004	\$1,800	\$1,596
25-29	\$2,100	\$1,884	\$1,680
30-34	\$2,364	\$2,136	\$1,896
35-39	\$2,772	\$2,508	\$2,220
40-44	\$3,324	\$2,988	\$2,676
45-49	\$4,296	\$3,876	\$3,444
50-54	\$5,748	\$5,172	\$4,584
55-59	\$7,572	\$6,816	\$6,048
60+	\$9,744	\$8,772	\$7,800

AGE GROUP	ANNUAL PREMIUM		
	ZONE 1 EFFECTIVE JUL.01.2004	ZONE 2 EFFECTIVE JUL.01.2004	ZONE 3 EFFECTIVE JUL.01.2004
0-18	\$1,428	\$1,284	\$1,140
19-24	\$1,428	\$1,284	\$1,140
25-29	\$1,500	\$1,344	\$1,200
30-34	\$1,692	\$1,524	\$1,356
35-39	\$1,980	\$1,788	\$1,584
40-44	\$2,376	\$2,136	\$1,908
45-49	\$3,072	\$2,772	\$2,460
50-54	\$4,104	\$3,696	\$3,276
55-59	\$5,412	\$4,872	\$4,320
60+	\$6,960	\$6,264	\$5,568

AGE GROUP	ANNUAL PREMIUM		
	ZONE 1 EFFECTIVE JUL.01.2004	ZONE 2 EFFECTIVE JUL.01.2004	ZONE 3 EFFECTIVE JUL.01.2004
0-18	\$2,004	\$1,800	\$1,596
19-24	\$2,004	\$1,800	\$1,596
25-29	\$2,532	\$2,268	\$2,028
30-34	\$3,180	\$2,844	\$2,532
35-39	\$3,624	\$3,264	\$2,904
40-44	\$4,164	\$3,744	\$3,324
45-49	\$4,920	\$4,440	\$3,936
50-54	\$5,880	\$5,292	\$4,716
55-59	\$6,876	\$6,180	\$5,496
60+	\$8,052	\$7,236	\$6,456

AGE GROUP	ANNUAL PREMIUM		
	ZONE 1 EFFECTIVE JUL.01.2004	ZONE 2 EFFECTIVE JUL.01.2004	ZONE 3 EFFECTIVE JUL.01.2004
0-18	\$1,428	\$1,284	\$1,140
19-24	\$1,812	\$1,620	\$1,452
25-29	\$2,028	\$1,824	\$1,620
30-34	\$2,268	\$2,028	\$1,812
35-39	\$2,592	\$2,328	\$2,076
40-44	\$2,976	\$2,676	\$2,376
45-49	\$3,516	\$3,168	\$2,808
50-54	\$4,200	\$3,780	\$3,372
55-59	\$4,908	\$4,416	\$3,924
60+	\$5,748	\$5,172	\$4,608

AGE GROUP	ANNUAL PREMIUM		
	ZONE 1 EFFECTIVE JUL.01.2004	ZONE 2 EFFECTIVE JUL.01.2004	ZONE 3 EFFECTIVE JUL.01.2004
0-18	\$1,428	\$1,284	\$1,140
19-24	\$1,812	\$1,620	\$1,452
25-29	\$2,028	\$1,824	\$1,620
30-34	\$2,268	\$2,028	\$1,812
35-39	\$2,592	\$2,328	\$2,076
40-44	\$2,976	\$2,676	\$2,376
45-49	\$3,516	\$3,168	\$2,808
50-54	\$4,200	\$3,780	\$3,372
55-59	\$4,908	\$4,416	\$3,924
60+	\$5,748	\$5,172	\$4,608

AGE GROUP	ANNUAL PREMIUM		
	ZONE 1 EFFECTIVE JUL.01.2004	ZONE 2 EFFECTIVE JUL.01.2004	ZONE 3 EFFECTIVE JUL.01.2004
0-18	\$2,004	\$1,800	\$1,596
19-24	\$2,004	\$1,800	\$1,596
25-29	\$2,532	\$2,268	\$2,028
30-34	\$3,180	\$2,844	\$2,532
35-39	\$3,624	\$3,264	\$2,904
40-44	\$4,164	\$3,744	\$3,324
45-49	\$4,920	\$4,440	\$3,936
50-54	\$5,880	\$5,292	\$4,716
55-59	\$6,876	\$6,180	\$5,496
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AGE GROUP	ANNUAL PREMIUM		
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25-29	\$2,532	\$2,268	\$2,028
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35-39	\$3,240	\$2,916	\$2,592
40-44	\$3,720	\$3,348	\$2,976
45-49	\$4,392	\$3,960	\$3,504
50-54	\$5,256	\$4,728	\$4,212
55-59	\$6,132	\$5,508	\$4,908
60+	\$7,188	\$6,488	\$5,760

AGE GROUP	ANNUAL PREMIUM		
	ZONE 1 EFFECTIVE JUL.01.2004	ZONE 2 EFFECTIVE JUL.01.2004	ZONE 3 EFFECTIVE JUL.01.2004
0-18	\$1,764	\$1,596	\$1,416
19-24	\$2,244	\$2,016	\$1,800
25-29	\$2,508	\$2,256	\$2,016
30-34	\$2,808	\$2,520	\$2,244
35-39	\$3,216	\$2,892	\$2,598
40-44	\$3,696	\$3,324	\$2,952
45-49	\$4,356	\$3,924	\$3,480
50-54	\$5,208	\$4,692	\$4,176
55-59	\$6,084	\$5,472	\$4,872
60+	\$7,128	\$6,420	\$5,712

AGE GROUP	ANNUAL PREMIUM		
	ZONE 1 EFFECTIVE JUL.01.2004	ZONE 2 EFFECTIVE JUL.01.2004	ZONE 3 EFFECTIVE JUL.01.2004
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25-29	\$3,116	\$3,156	\$2,820
30-34	\$3,936	\$3,528	\$3,144
35-39	\$4,500	\$4,044	\$3,600
40-44	\$5,172	\$4,656	\$4,128
45-49	\$6,096	\$5,496	\$4,872
50-54	\$7,296	\$6,564	\$5,444
55-59	\$8,520	\$7,656	\$6,816
60+	\$9,984	\$8,988	\$7,992

AGE GROUP	ANNUAL PREMIUM		
	ZONE 1 EFFECTIVE JUL.01.2004	ZONE 2 EFFECTIVE JUL.01.2004	ZONE 3 EFFECTIVE JUL.01.2004
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19-24	\$2,268	\$2,028	\$1,812
25-29	\$2,532	\$2,268	\$2,028
30-34	\$2,832	\$2,544	\$2,268
35-39	\$3,240	\$2,916	\$2,592
40-44	\$3,720	\$3,348	\$2,976
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55-59	\$6,132	\$5,508	\$4,908
60+	\$7,188	\$6,488	\$5,760

AGE GROUP	ANNUAL PREMIUM		
	ZONE 1 EFFECTIVE JUL.01.2004	ZONE 2 EFFECTIVE JUL.01.2004	ZONE 3 EFFECTIVE JUL.01.2004
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19-24	\$2,244	\$2,016	\$1,800
25-29	\$2,508	\$2,256	\$2,016
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35-39	\$3,216	\$2,892	\$2,598
40-44	\$3,696	\$3,324	\$2,952
45-49	\$4,356	\$3,924	\$3,480
50-54	\$5,208	\$4,692	\$4,176
55-59	\$6,084	\$5,472	\$4,872
60+	\$7,128	\$6,420	\$5,712

Health Insurance Risk Sharing Plan (HIRSP)
MONTHLY PREMIUM INCREASES NEEDED TO IMPLEMENT FY 2005 PREMIUM RATE SCHEDULE

Based on Milliman USA, HIRSP Projection of Premium Rates and Budget for July 1, 2004 - June 30, 2005, Appendix A, Pages 1 - 2, Dated April 9, 2004 - As Approved by the HIRSP Board of Governors, April 21, 2004

PLAN 1A - STANDARD PLAN - \$1,000 DEDUCTIBLE
FY 2005 (JULY 1, 2004 - JUNE 30, 2005)

MAJOR MEDICAL PLAN

(140% of Avg. Standard Risk Rate Approximated @ \$3,804)

REDUCED PREMIUM SUBSIDY BASE

(Average Standard Risk Rate Approximated @ \$3,804)
 (100% of Avg. Standard Risk Rate)

AGE GROUP	ANNUAL PREMIUM		
	ZONE 1	ZONE 2	ZONE 3
0-18	\$20	\$18	\$15
19-24	\$20	\$18	\$15
25-29	\$22	\$20	\$19
30-34	\$25	\$22	\$20
35-39	\$31	\$28	\$24
40-44	\$39	\$35	\$32
45-49	\$51	\$46	\$41
50-54	\$68	\$62	\$54
55-59	\$86	\$77	\$69
60+	\$104	\$94	\$83

AGE GROUP	ANNUAL PREMIUM		
	ZONE 1	ZONE 2	ZONE 3
0-18	\$20	\$18	\$15
19-24	\$25	\$22	\$21
25-29	\$27	\$24	\$22
30-34	\$34	\$29	\$27
35-39	\$39	\$35	\$31
40-44	\$49	\$44	\$37
45-49	\$57	\$52	\$45
50-54	\$68	\$61	\$52
55-59	\$80	\$71	\$64
60+	\$90	\$81	\$72

PLAN 2 - MEDICARE SUPPLEMENT PLAN
FY 2005 (JULY 1, 2004 - JUNE 30, 2005)

MEDICARE SUPPLEMENT PLAN

(80.7% of Plan 1A Rate)
 (113% of Avg. Standard Risk Rate)

REDUCED PREMIUM SUBSIDY BASE

(80.7% of Plan 1A Subsidy Base)
 (80.7% of Avg. Standard Risk Rate)

AGE GROUP	ANNUAL PREMIUM		
	ZONE 1	ZONE 2	ZONE 3
0-18	\$24	\$21	\$18
19-24	\$24	\$21	\$18
25-29	\$27	\$23	\$21
30-34	\$29	\$25	\$24
35-39	\$35	\$33	\$28
40-44	\$43	\$39	\$37
45-49	\$57	\$53	\$46
50-54	\$77	\$70	\$60
55-59	\$98	\$89	\$78
60+	\$122	\$111	\$98

AGE GROUP	ANNUAL PREMIUM		
	ZONE 1	ZONE 2	ZONE 3
0-18	\$24	\$21	\$18
19-24	\$30	\$27	\$25
25-29	\$34	\$30	\$27
30-34	\$40	\$35	\$32
35-39	\$46	\$41	\$36
40-44	\$54	\$49	\$43
45-49	\$66	\$59	\$52
50-54	\$77	\$70	\$63
55-59	\$91	\$81	\$73
60+	\$104	\$92	\$84

PLAN 1B - \$2,500 DEDUCTIBLE PLAN
FY 2005 (JULY 1, 2004 - JUNE 30, 2005)

ALTERNATIVE MAJOR MEDICAL PLAN

(72% of Plan 1 Rate)
 (100.8% of Avg. Standard Risk Rate)

AGE GROUP	ANNUAL PREMIUM		
	ZONE 1	ZONE 2	ZONE 3
0-18	\$14	\$13	\$11
19-24	\$14	\$13	\$11
25-29	\$16	\$14	\$13
30-34	\$18	\$16	\$14
35-39	\$23	\$20	\$18
40-44	\$28	\$25	\$23
45-49	\$37	\$33	\$29
50-54	\$44	\$44	\$39
55-59	\$62	\$56	\$50
60+	\$75	\$67	\$60

AGE GROUP	ANNUAL PREMIUM		
	ZONE 1	ZONE 2	ZONE 3
0-18	\$14	\$13	\$11
19-24	\$18	\$16	\$15
25-29	\$19	\$17	\$16
30-34	\$24	\$21	\$20
35-39	\$28	\$26	\$22
40-44	\$35	\$31	\$27
45-49	\$41	\$38	\$32
50-54	\$49	\$44	\$39
55-59	\$57	\$51	\$46
60+	\$65	\$58	\$52

AGE GROUP	ANNUAL PREMIUM		
	ZONE 1	ZONE 2	ZONE 3
0-18	\$17	\$15	\$13
19-24	\$19	\$16	\$15
25-29	\$21	\$18	\$17
30-34	\$25	\$23	\$20
35-39	\$31	\$28	\$26
40-44	\$41	\$38	\$33
45-49	\$55	\$50	\$43
50-54	\$70	\$64	\$56
55-59	\$87	\$79	\$70

AGE GROUP	ANNUAL PREMIUM		
	ZONE 1	ZONE 2	ZONE 3
0-18	\$17	\$15	\$13
19-24	\$22	\$19	\$18
25-29	\$28	\$25	\$23
30-34	\$33	\$29	\$26
35-39	\$39	\$35	\$31
40-44	\$47	\$42	\$37
45-49	\$55	\$50	\$45
50-54	\$65	\$58	\$52
55-59	\$74	\$66	\$60

AGE GROUP	ANNUAL PREMIUM		
	ZONE 1	ZONE 2	ZONE 3
0-18	\$17	\$15	\$13
19-24	\$22	\$19	\$18
25-29	\$28	\$25	\$23
30-34	\$33	\$29	\$26
35-39	\$39	\$35	\$31
40-44	\$47	\$42	\$37
45-49	\$55	\$50	\$45
50-54	\$65	\$58	\$52
55-59	\$74	\$66	\$60

AGE GROUP	ANNUAL PREMIUM		
	ZONE 1	ZONE 2	ZONE 3
0-18	\$14	\$13	\$11
19-24	\$14	\$13	\$11
25-29	\$16	\$14	\$13
30-34	\$18	\$16	\$14
35-39	\$23	\$20	\$18
40-44	\$28	\$25	\$23
45-49	\$37	\$33	\$29
50-54	\$44	\$44	\$38
55-59	\$62	\$56	\$50
60+	\$75	\$67	\$60

AGE GROUP	ANNUAL PREMIUM		
	ZONE 1	ZONE 2	ZONE 3
0-18	\$14	\$13	\$11
19-24	\$18	\$16	\$15
25-29	\$19	\$17	\$16
30-34	\$24	\$21	\$19
35-39	\$28	\$25	\$22
40-44	\$35	\$31	\$27
45-49	\$41	\$37	\$32
50-54	\$49	\$44	\$39
55-59	\$57	\$51	\$46
60+	\$65	\$58	\$52

AGE GROUP	ANNUAL PREMIUM		
	ZONE 1	ZONE 2	ZONE 3
0-18	\$17	\$15	\$13
19-24	\$19	\$16	\$15
25-29	\$21	\$18	\$17
30-34	\$25	\$23	\$20
35-39	\$31	\$28	\$26
40-44	\$41	\$38	\$33
45-49	\$55	\$50	\$43
50-54	\$70	\$64	\$56
55-59	\$87	\$79	\$70

AGE GROUP	ANNUAL PREMIUM		
	ZONE 1	ZONE 2	ZONE 3
0-18	\$17	\$15	\$13
19-24	\$22	\$19	\$18
25-29	\$28	\$25	\$23
30-34	\$33	\$29	\$26
35-39	\$39	\$35	\$31
40-44	\$47	\$42	\$37
45-49	\$55	\$50	\$45
50-54	\$65	\$58	\$52
55-59	\$74	\$66	\$60

AGE GROUP	ANNUAL PREMIUM		
	ZONE 1	ZONE 2	ZONE 3
0-18	\$14	\$13	\$11
19-24	\$14	\$13	\$11
25-29	\$16	\$14	\$13
30-34	\$18	\$16	\$14
35-39	\$23	\$20	\$18
40-44	\$28	\$25	\$23
45-49	\$37	\$33	\$29
50-54	\$44	\$44	\$38
55-59	\$62	\$56	\$50
60+	\$75	\$67	\$60

AGE GROUP	ANNUAL PREMIUM		
	ZONE 1	ZONE 2	ZONE 3
0-18	\$14	\$13	\$11
19-24	\$18	\$16	\$15
25-29	\$19	\$17	\$16
30-34	\$24	\$21	\$19
35-39	\$28	\$26	\$22
40-44	\$35	\$31	\$27
45-49	\$41	\$38	\$32
50-54	\$49	\$44	\$39
55-59	\$57	\$51	\$46
60+	\$65	\$58	\$52

**HIRSP FY 2004 Expenditure and Revenue Budgets
Compared to Actual Expenditures and Revenues**

FY 2004 HIRSP Expenditure Budget vs. Actual Expenditures

	BUDGETED	ACTUAL
FY 2004 Expenditures		
Claims Expenses (net of deductible subsidies)	\$165,982,914	\$143,609,152
Administrative Expenses	\$5,360,772	\$5,154,852
Premium and Deductible Subsidy Costs	\$5,354,660	\$4,582,564
Total FY 2004 Expenditures	\$176,698,346	\$153,346,568
FY 2004 Average Monthly Population	20,719	17,645
FY 2004 Average Cost per Member per Month (PMPM)	\$668	\$678
Policyholder Surplus Premium Fund Balance at end of FY 2004	\$6,565,698	\$5,379,754

FY 2004 HIRSP Revenue Budget vs. Actual Revenues

	BUDGETED	SUBTOTAL	ACTUAL
FY 2004 State GPR Revenue			
General Purpose Revenue (GPR) - Operating Costs	\$0		\$0
GPR - Premium and Deductible Subsidy Costs	\$0		\$0
State GPR Funding Share		\$0	\$0
			0.0%
FY 2004 Policyholder Out-of-Pocket Premium Revenue			
Policyholder Full Premium Required for 60% Funding Share	\$95,080,006		\$85,476,696
Policyholder Surplus Premium Fund	\$6,678,398		
Premium and Deductible Subsidy Subtraction	(\$5,354,660)		(\$4,582,564)
Policyholder Out-Of-Pocket Funding Share		\$96,403,744	\$80,894,132
		55.8%	51.4%

	BUDGETED	SUBTOTAL	ACTUAL
FY 2004 Insurer Assessment Revenue			
Insurer Assessments Required for 20% Funding Share	\$33,919,468		\$33,126,067
Insurer CY 2002 Reconciliation Credit Subtraction	(\$1,152,689)		
Insurer Assessments for FY 2004 Subsidies	\$2,677,330		\$2,291,282
Insurer Funding Share		\$35,444,109	\$35,417,349
		20.5%	22.5%
FY 2004 Provider Rate Reduction Revenue			
Provider Rate Reductions Required for 20% Funding Share	\$33,919,468		\$37,228,311
Provider CY 2002 Reconciliation Shortfall Addition	\$2,573,555		
Provider Rate Reductions for FY 2004 Subsidies	\$2,677,330		\$2,291,282
Provider Funding Share		\$39,170,353	\$39,519,593
		22.7%	25.1%
FY 2004 Miscellaneous Revenue			
Bank Interest	\$450,215		\$411,125
Drug Rebates	\$1,296,132		\$1,080,646
Miscellaneous Income Funding Share		\$1,746,347	\$1,491,771
		1.0%	0.9%
Total FY 2004 Revenues	\$172,764,553	\$172,764,553	\$157,322,845

HIRSP FY 2005 Expenditure and Revenue Budgets

FY 2005 HIRSP Expenditure Budget

	BUDGETED
FY 2005 Budgeted Expenditures	
Claims Expenses (net of deductible subsidies)	\$159,244,399
Administrative Expenses	\$5,312,711
Premium and Deductible Subsidy Costs	\$5,383,568
Total FY 2004 Expenditures	\$169,940,678
FY 2005 Budgeted Average Monthly Population	19,157
FY 2005 Budgeted Average Cost per Member per Month (PMPM)	\$693
Policyholder Surplus Premium Fund Balance Budgeted at end of FY 2005	\$17,098,945

FY 2005 HIRSP Revenue Budget

	BUDGETED	SUBTOTAL
FY 2005 Budgeted State GPR Revenue		
General Purpose Revenue (GPR) - Operating Costs	\$0	
GPR - Premium and Deductible Subsidy Costs	\$0	
State GPR Funding Share		\$0
		0.0%
FY 2005 Budgeted Policyholder Out-of-Pocket Premium Revenue		
Policyholder Full Premium Required for 60% Funding Share	\$102,812,878	
Policyholder Surplus Premium Fund Contribution	\$0	
Premium and Deductible Subsidy Subtraction	(\$5,383,568)	
Policyholder Out-Of-Pocket Funding		\$97,429,310
		57.4%

	BUDGETED	SUBTOTAL
FY 2005 Budgeted Insurer Assessment Revenue		
Insurer Assessments Required for 20% Funding Share	\$32,524,510	
Insurer CY 2003 Reconciliation Credit Subtraction	(\$2,770,012)	
Insurer Assessments for FY 2005 Subsidies	\$2,691,784	
	<hr/>	
Insurer Funding Share		\$32,446,282
		19.1%
FY 2005 Budgeted Provider Rate Reduction Revenue		
Provider Rate Reductions Required for 20% Funding Share	\$32,524,510	
Provider CY 2003 Reconciliation Credit Subtraction	(\$1,093,317)	
Provider Rate Reductions for FY 2005 Subsidies	\$2,691,784	
Additional FY 2005 Budgeted Withholding of Provider Rate Reduction Funding	\$3,671,437	
	<hr/>	
Provider Funding Share		\$37,794,414
		22.3%
FY 2005 Budgeted Miscellaneous Revenue		
Bank Interest	\$429,993	
Drug Rebates	\$1,504,567	
	<hr/>	
Miscellaneous Income Funding Share		\$1,934,560
		1.1%
<hr/>		
Total FY 2005 Budgeted Revenues	\$169,604,566	\$169,604,566

June 30, 2004
 TOTAL POLICIES IN FORCE
 SORTED BY GENDER AND AGE GROUP WITHIN RATING ZONES

TOTAL 18,395

Total HIRSP									
	Plan 1A		Plan 1B		Plan 2		Subtotal		Grand
	Male	Female	Male	Female	Male	Female	Male	Female	Total
0 - 18		179		85		0		264	264
0 - 24	458		227		3		688		688
19 - 24		223		52		3		278	278
25 - 29	193	211	37	41	15	6	245	258	503
30 - 34	200	211	74	76	15	15	289	302	591
35 - 39	278	263	139	138	40	26	457	427	884
40 - 44	417	341	263	277	76	68	756	686	1,442
45 - 49	530	502	400	444	127	99	1,057	1,045	2,102
50 - 54	551	664	605	652	126	141	1,282	1,457	2,739
55 - 59	501	888	796	1,048	110	153	1,407	2,089	3,496
60 - 64	504	1,185	1,215	1,746	108	213	1,827	3,144	4,971
65 +	3	10	0	4	117	303	120	317	437
	3,635	4,677	3,756	4,563	737	1,027	8,128	10,267	18,395
	43.7%	56.3%	45.1%	54.9%	41.8%	58.2%	44.2%	55.8%	

1.4%	100.0%	1.4%
3.7%	98.6%	5.2%
1.5%	94.8%	6.7%
2.7%	93.3%	9.4%
3.2%	90.6%	12.6%
4.8%	87.4%	17.4%
7.8%	82.6%	25.3%
11.4%	74.7%	36.7%
14.9%	63.3%	51.6%
19.0%	48.4%	70.6%
27.0%	29.4%	97.6%
2.4%	2.4%	100.0%

Plan 1A = 8,312 Plan 1B = 8,319 Plan 2 = 1,764 Total = 18,395
 45.2% 45.2% 9.6%

Net Plan and Net Total Population Increase Since December 31, 1999			
2,687	7,332	472	10,491
147.8%	842.9%	136.5%	232.7%

HIRSP Full Premium and Subsidy Population								
	Plan 1A		Plan 1B		Plan 2		Subtotal	
	Full Premium	Subsidy						
Zone 1	384	310	556		96	107	1,036	417
Zone 2	1,567	845	2,426		293	225	4,286	1,070
Zone 3	3,190	2,016	5,337		575	468	9,102	2,484
	5,141	3,171	8,319		964	800	14,424	3,971
		38.1%				45.4%		21.6%

Subsidy Population		
	Individuals Receiving Subsidy	Household Income Less Than
Level 4	1,546	\$10,000
Level 3	738	\$14,000
Level 2	594	\$17,000
Level 1	528	\$20,000
Level 5	565	\$25,000

Plan 1A = 8,312 Plan 1B = 8,319 Plan 2 = 1,764 Total = 18,395

3,971

Zone 1	Plan 1A		Plan 1B		Plan 2		Subtotal		Grand
	Male	Female	Male	Female	Male	Female	Male	Female	Total
0 - 18		9		7				16	16
0 - 24	31		14		1		46		46
19 - 24		16		4		1		21	21
25 - 29	21	28	6	6	1	1	28	35	63
30 - 34	25	23	7	13	5	2	37	38	75
35 - 39	34	14	20	7	10	2	64	23	87
40 - 44	28	24	25	16	16	10	69	50	119
45 - 49	48	40	25	28	23	15	96	83	179
50 - 54	39	67	45	36	19	18	103	121	224
55 - 59	41	81	50	67	15	12	106	160	266
60 - 64	34	90	69	110	10	13	113	213	326
65 +	1		1		5	24	5	26	31
	301	393	261	295	105	98	667	786	1,453
		694		556		203		1,453	

1.1%	100.0%	1.1%
3.2%	98.9%	4.3%
1.4%	95.7%	5.7%
4.3%	94.3%	10.0%
5.2%	90.0%	15.2%
6.0%	84.8%	21.2%
8.2%	78.8%	29.4%
12.3%	70.6%	41.7%
15.4%	58.3%	57.1%
18.3%	42.9%	75.4%
22.4%	24.6%	97.9%
2.1%	2.1%	100.0%

Zone 2	Plan 1A		Plan 1B		Plan 2		Subtotal		Grand
	Male	Female	Male	Female	Male	Female	Male	Female	Total
0 - 18		49		31				80	80
0 - 24	148		78				226		226
19 - 24		64		15				79	79
25 - 29	60	64	4	10	4	2	68	76	144
30 - 34	69	70	24	25	5	6	98	101	199
35 - 39	80	98	33	54	11	13	124	165	289
40 - 44	132	107	88	80	18	24	238	211	449
45 - 49	142	149	105	149	33	31	280	329	609
50 - 54	156	162	179	202	44	40	379	404	783
55 - 59	134	259	218	294	28	44	380	597	977
60 - 64	126	338	335	500	33	59	494	897	1,391
65 +	1	4		2	38	85	39	91	130
	1,048	1,364	1,064	1,362	214	304	2,326	3,030	5,356
		2,412		2,426		518		5,356	

1.5%	100.0%	1.5%
4.2%	98.5%	5.7%
1.5%	94.3%	7.2%
2.7%	92.8%	9.9%
3.7%	90.1%	13.6%
5.4%	86.4%	19.0%
8.4%	81.0%	27.4%
11.4%	72.6%	38.7%
14.6%	61.3%	53.4%
18.2%	46.6%	71.6%
26.0%	28.4%	97.6%
2.4%	2.4%	100.0%

Zone 3	Plan 1A		Plan 1B		Plan 2		Subtotal		Grand
	Male	Female	Male	Female	Male	Female	Male	Female	Total
0 - 18		121		47				168	168
0 - 24	279		135		2		416		416
19 - 24		143		33		2		178	178
25 - 29	112	119	27	25	10	3	149	147	296
30 - 34	106	118	43	38	5	7	154	163	317
35 - 39	164	151	86	77	19	11	269	239	508
40 - 44	257	210	150	181	42	34	449	425	874
45 - 49	340	313	270	267	71	53	681	633	1,314
50 - 54	356	435	381	414	63	83	800	932	1,732
55 - 59	326	548	528	687	67	97	921	1,332	2,253
60 - 64	344	757	811	1,136	65	141	1,220	2,034	3,254
65 +	2	5		1	74	194	76	200	276
	2,286	2,920	2,431	2,906	418	625	5,135	6,451	11,586
		5,206		5,337		1,043		11,586	

1.5%	100.0%	1.5%
3.6%	98.5%	5.0%
1.5%	95.0%	6.6%
2.6%	93.4%	9.1%
2.7%	90.9%	11.9%
4.4%	88.1%	16.3%
7.5%	83.7%	23.8%
11.3%	76.2%	35.1%
14.9%	64.9%	50.1%
19.4%	49.9%	69.5%
28.1%	30.5%	97.6%
2.4%	2.4%	100.0%

3,635 4,677 3,756 4,563 737 1,027 8,128 10,267 18,395

Plan 1A = 8,312 Plan 1B = 8,319 Plan 2 = 1,764 Total = 18,395