

WISCONSIN STATE
LEGISLATURE
COMMITTEE HEARING
RECORDS

2005-06

(session year)

Senate

(Assembly, Senate or Joint)

Committee on
Agriculture and
Insurance
(SC-AI)

File Naming Example:

- Record of Comm. Proceedings ... RCP
- > 05hr_AC-Ed_RCP_pt01a
 - > 05hr_AC-Ed_RCP_pt01b
 - > 05hr_AC-Ed_RCP_pt02

- > Committee Hearings ... CH (Public Hearing Announcements)
- > **

- > Committee Reports ... CR
- > **

- > Executive Sessions ... ES
- > **

- > Record of Comm. Proceedings ... RCP
- > **

- > Appointments ... Appt
- > **

- > Clearinghouse Rules ... CRule
- > **

- > Hearing Records ... HR (bills and resolutions)

> **05hr_sb0451_SC-AI_pt03**

- > Miscellaneous ... Misc
- > **

Talking Points – HIRSP, 11-30-05

Background

- Current law provides major medical health insurance coverage for persons who are covered under Medicare because of pre-existing conditions,
- have been refused coverage
- or people who have been covered for the previous 18 months and then lost coverage at place of employment
- Funded by covered persons, insurer assessments, and provider payment discounts

Creation of HIRSP authority

- Quasi-governmental body w/ a board of directors made up of 13 members plus the Insurance Commissioner, who is a non-voting member
- Members of the board represent the insurance industry, health care providers, policy holders, the public, and small businesses that purchase private health insurance
- Retains detailed list of services that are currently in the statutes

Treated like a state agency

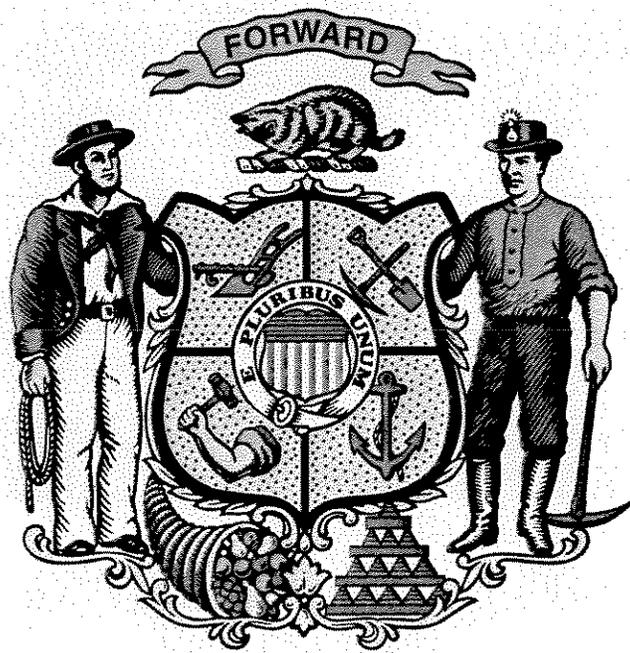
- Subject to open records and open meeting laws
- Subject to state ethics/lobbying regulations
- Employees may not engage in political activities on Authority time.
- Competitive bid and proposal process when contracting for professional services
- Code of Ethics for public officials and employees covers the Authority

Differs from state agency

- Approves its own budget w/o going through the biennium budget process
- Employees are not in the state's personnel management system, may not participate in state retirement plan or health insurance coverage
- Not subject to statutory rule-making procedures

Changes

- Powers for management of the program are transferred from DHFS to HIRSP Authority
- HIRSP Authority must enter into an identical contract w/ same plan administrator that was used by DHFS until termination date of original DHFS contract. May then use a competitive bid process if move to a different plan administrator– **NO funding** for continuation of DHFS program in the 05-07 budget
- Allows HIRSP Board to make cost-saving, market focused changes in administration, care management, benefit design and other program areas.
- Will be able to control costs while meeting policy holders needs
- ~~Requires insurers and providers to contribute equally toward the cost of the premium and deductible subsidy program for incomes under \$25,000, after federal funds or high risk pools are used to cost of the subsidy program~~





WISCONSIN LEGISLATIVE COUNCIL AMENDMENT MEMO

2005 Senate Bill 451

**Senate Substitute Amendment
1, as Amended by Senate
Amendments 1 and 2 to Senate
Substitute Amendment 1**

Memo published: December 5, 2005

Contact: Joyce L. Kiel, Senior Staff Attorney (266-3137)

2005 Senate Bill 451 makes numerous changes to the Health Insurance Risk-Sharing Plan (HIRSP). It also creates the HIRSP Authority which would be responsible for the administration of HIRSP beginning July 1, 2006. (A full description of Senate Substitute Amendment 1 is provided in the November 30, 2005 memo from the Legislative Fiscal Bureau to the Joint Committee on Finance (JCF) which is available at: http://www.legis.state.wi.us/lfb/2005-07Bills/113005_AB844SB451.pdf.)

Senate Substitute Amendment 1 to Senate Bill 451 would make the following changes to the bill:

- Create an exemption from property tax for property owned by the HIRSP Authority as long as the use of the property is primarily related to the purposes of the HIRSP Authority.
- Create an exemption from income tax for income of the HIRSP Authority.
- Create an exemption from sales and use tax for the HIRSP Authority.
- Provide that for persons *who have coverage* under HIRSP on January 1, 2006, the substitute amendment's provisions that limit coverage to those benefits not paid by Medicare Part D (drug coverage) apply May 15, 2006. (May 15, 2006 is the last date by which most individuals may enroll in or apply for Medicare Part D without penalty.) Also, the substitute amendment provides that for persons *who do not have coverage* under HIRSP on January 1, 2006, applicants attempting to enroll in HIRSP on the basis of Medicare eligibility after that date must be enrolled in Medicare Part D to be eligible for HIRSP.

Senate Amendment 1 to Senate Substitute Amendment 1 would require that at least one of the members of the 13-member board of directors of the HIRSP Authority be a person who is a professional consumer advocate who is familiar with HIRSP.

Senate Amendment 2 to Senate Substitute Amendment 1 amends the substitute amendment's provisions relating to the Legislative Audit Bureau (LAB). Specifically, under Senate Amendment 2, the LAB would:

- Audit the records of the HIRSP Authority every five years (as the LAB does with other authorities). (The substitute amendment exempted the HIRSP Authority from the five-year audit requirement but would have permitted the LAB to audit the records of the HIRSP Authority when the State Auditor deemed it advisable or when directed to do so.) As a "public body corporate and politic" created by the Legislature under proposed s. 149.41 (1) (intro.), the HIRSP Authority is a "department" under s. 13.94 (4) (a) 1., Stats., and, thus, subject to auditing by the LAB.

- Annually conduct a financial audit of the HIRSP Authority and charge the HIRSP Authority for this audit. (The substitute amendment provided for this audit but did not require the LAB to charge for it.)

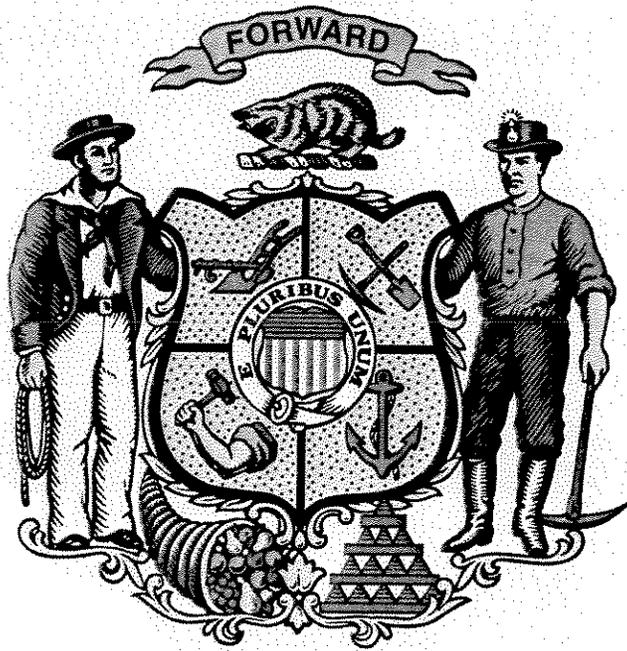
- Require the HIRSP Authority to annually file with the LAB a report on receivables (as is required of other authorities). (The substitute amendment exempted the HIRSP Authority from this provision.)

Legislative History

Senate Substitute Amendment 1 to the bill was introduced by Senator Kapanke. The Senate Committee on Agriculture and Insurance recommended adoption of Senate Substitute Amendment 1 on a vote of Ayes, 7; Noes 0. The committee recommended passage of Senate Bill 451, as amended, on a vote of Ayes, 5; Noes, 2.

The bill was referred to JCF which introduced Senate Amendments 1 and 2 to Senate Substitute Amendment 1 and recommended adoption of Senate Amendments 1 and 2 on a vote of Ayes, 15; Noes, 0. JCF then recommended adoption of Senate Substitute Amendment 1, as amended, on a vote of Ayes, 13; Noes 2. JCF recommended passage of Senate Bill 451, as amended, on a vote of Ayes, 13; Noes, 2.

JLK:tlu:rv



Wisconsin Association of Health Plans

December 5, 2005

TO: Members of the Wisconsin Legislature
FROM: Wisconsin Association of Health Plans
RE: HIRSP Reform – AB 844 / SB 451

The Health Insurance Risk Sharing Plan (HIRSP) is a safety-net program serving an important role for all Wisconsin residents. In its current form, however, it is a growing source of health care cost-shifting in Wisconsin. Since 2000:

- Annual HIRSP program costs more than quadrupled to \$207 million.
- Average individual policyholder payments doubled.
- Annual HIRSP assessments and provider discounts skyrocketed to \$78 million—a cost-shift that makes health care coverage more expensive.

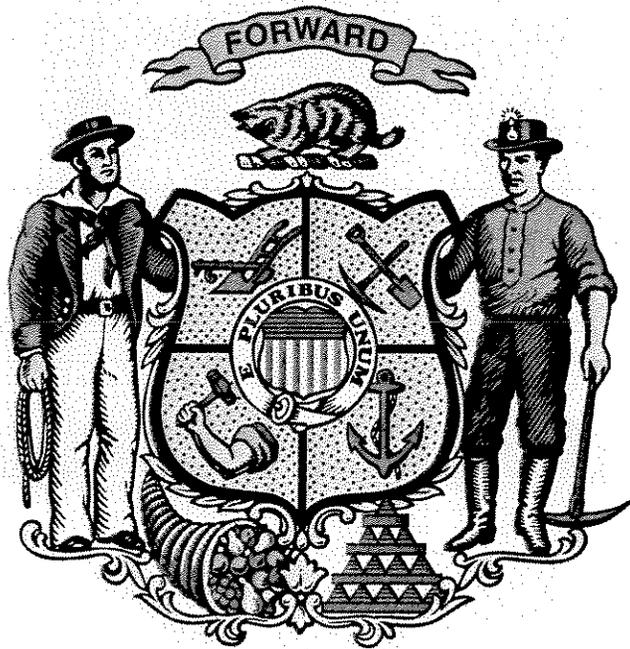
The growth in HIRSP costs is unsustainable. To ease the financial burden of the program, which receives no state general purpose revenue, **we urge you to support AB 844 from Rep. Ann Nischke and SB 451 from Sen. Dan Kapanke.** These companion bills are based on the proposal included in the Legislature's 2005-2007 State Budget, but address the concerns raised by Governor Doyle in his veto message.

Since its creation in 1980, the HIRSP benefit design has changed very little. As a result, HIRSP has failed to keep pace with cost-saving innovations in health care coverage, which are introduced every year. Without proven cost-containment strategies in place, HIRSP costs grow faster than the cost of other programs. To stem this growth, new, more flexible governance is needed to make HIRSP more responsive to change.

The HIRSP reform proposal:

- **Transforms HIRSP into a quasi-governmental authority** governed by a Board of Directors composed of HIRSP policyholders, health care providers, insurers and small business. The authority would feature adequate government oversight mechanisms, such as open records and meetings.
- **Empowers the HIRSP Board to make cost-saving, market-focused changes** in administration, care management, benefit designs and other program areas. The Board would more effectively respond to changes in health care and take advantage of opportunities to control costs while meeting policyholder needs.
- **Produces more equitable HIRSP cost-sharing** through a tax credit first claimable after December 31, 2007, for insurers that pay taxes and HIRSP assessments.

We urge you to make HIRSP more responsive to market changes and opportunities for cost savings. Please join the growing list of bi-partisan supporters of HIRSP reform and support AB 844 and SB 451.



Perlich, John H.

From: Gilbert, Melissa
Sent: Tuesday, December 06, 2005 5:32 PM
To: Perlich, John H.
Cc: OBrien, John
Subject: RE: HIRSP press

Importance: High

We need to make sure both sides pass the same version; otherwise, I will need to alter the release. It looks to me like the Assembly rejected the amendment to the sub. Please verify. Thanks. Considering how late today's session is dragging on it might be better to send this out tonight, but we would need to do so ASAP.

From: Perlich, John H.
Sent: Tuesday, December 06, 2005 5:28 PM
To: Gilbert, Melissa
Subject: RE: HIRSP press

I'll run it by him...

John H. Perlich

Office of Senator Dan Kapanke
32nd District
608-266-5490
800-385-3385
john.perlich@legis.state.wi.us

From: Gilbert, Melissa
Sent: Tuesday, December 06, 2005 3:30 PM
To: OBrien, John; Perlich, John H.
Subject: HIRSP press
Importance: High

Here's the release on HIRSP passage. I dated it tomorrow so that we don't have to compete with coverage of gas tax indexing, the marriage amendment, etc. Please let me know if Dan wants changes. Thanks.

<< File: Kapanke.HIRSPreform.Dec7.2005.doc >>

Dan Kapanke

Wisconsin State Senator - 32nd District



FOR IMMEDIATE RELEASE
Dec. 7, 2005

For more information, contact:
Sen. Dan Kapanke – 608-266-5490
or 608-782-3975

Legislators Fix Health Insurance Program for High-Risk Residents *Plan Needs Governor's Signature by Month's End to Preserve Benefits*

Madison... Wisconsin residents who are unable to obtain private health insurance due to severe medical conditions could continue to receive coverage through a state program under legislation approved Tuesday by state lawmakers.

The state Senate's insurance chair, Sen. Dan Kapanke, R-La Crosse, called passage of the measure welcome news for participants. The Health Insurance Risk-Sharing Plan currently faces termination on Jan. 1 due to Gov. James Doyle's partial veto of the state budget, which included several reforms to the existing program.

"At a time when health care access and affordability rank among the state's most pressing concerns, retention of this safety net for high-risk individuals remains vitally important," Kapanke said. "Allowing coverage to lapse would result in life-or-death crises for many individuals and/or higher health care costs for the rest of the population due to the cost-shifting health care facilities would need to engage in order to be able to afford to provide care."

He also lauded several changes to the program, including the transfer of oversight to a new, independent authority. The HIRSP Authority would be authorized to establish deductibles, co-payments, limitations and other aspects of benefit design. While the quasi-governmental entity would be allowed to respond to market conditions more quickly than under current law, the Office of the Commissioner of the Insurance could disapprove of any actions that would result in significant differences between the plans offered and typical comprehensive policies in the private market.

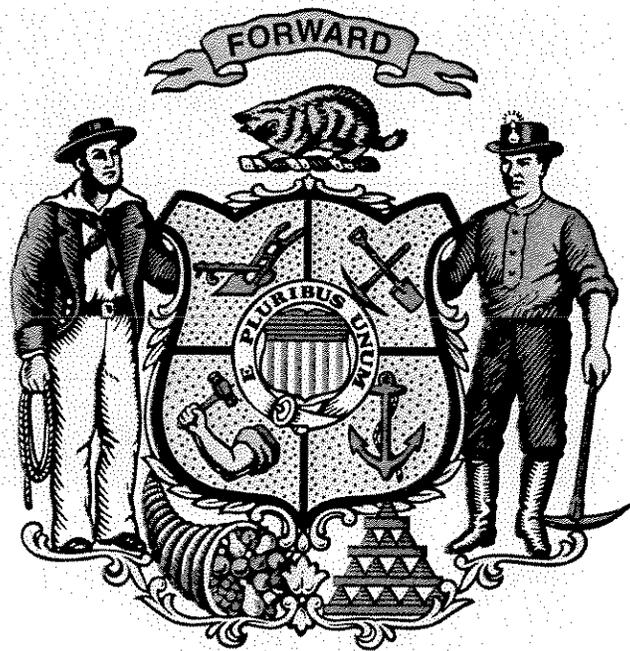
"Sometimes efficiency requires government to get out of the way, and that certainly is true with the HIRSP program," Kapanke said. "The current administrative structure simply lacks the flexibility needed to implement innovative policies that would address changing needs or reduce expenses."

He noted the cost of premiums for beneficiaries has doubled since 2000, while assessments on insurance companies have quadrupled. The 25-year-old program relies on policyholder premiums, insurance company assessments and provider discounts as revenue sources under state law.

Since both houses voted on the HIRSP reform legislation Tuesday, the bill now goes to Doyle, who recently expressed support for the bill.

According to the Legislative Audit Bureau, 18,725 individuals were enrolled in HIRSP as of March 31.

-30-



Perlich, John H.

From: Kiel, Joyce
Sent: Tuesday, December 06, 2005 9:30 AM
To: Kahler, Pam
Cc: Peer, Adam; Perlich, John H.; Sweet, Richard
Subject: URGENT DRAFTING REQUEST--HIRSP--AB844; SB451

Hi Pam--

Following a meeting with Adam and others this morning, the language that was agreed upon is as follows (instead of the language in the email to you and me below).

"The authority and the commissioner may not assess types of insurance that were not being assessed as of December 1, 2005 or types of insurers that were not being assessed as of December 1, 2005." (They wanted the repetition to make it clear that all the phrases applied to both.)

You may have a variation on this--such as "Neither the authority nor the commissioner may assess any type of insurance that was not being assessed as of December 1, 2005 or any type of insurer that was not being assessed as of December 1, 2005."

We thought this language should be added to s. 149.13, Stats.

For the Assembly--they need a new substitute amendment that will be LRBs0390/2--requester Rep. Nischke.
For the Senate--they need a new substitute amendment that will be LRB ____/2 (sorry, I don't have the number)--requester Sen. Kapanke.

As both are up on the floor today, they need these ASAP.

Thanks,

Joyce L. Kiel, Senior Staff Attorney
Wisconsin Legislative Council Staff
Suite 401, One East Main Street
Madison, WI 53703
608-266-3137
608-266-3830 (fax)
Joyce.Kiel@legis.state.wi.us

From: Peer, Adam
Sent: Tuesday, December 06, 2005 7:52 AM
To: Kiel, Joyce; Kahler, Pam
Subject: One Last Change

12/06/2005

Joyce and Pam: I have one last change to the sub I need both of your help with this morning. It would replace LRBa1657/1. The language that has been suggested to me is as follows:

“The authority and the commissioner may not change nor expand the assessment base nor types of insurance or insurers who were assessed as of January 1, 2005.”

Leadership wants to be sure we freeze the types of insurance or insurers at current practice (as opposed to current law). Obviously, if some one were to an insurance company today offering an insurance product that was a type we would want to see them assessed. It is not intended to freeze the list of actual firms assessed.

Lets please be in contact this morning to be sure this gets in and reflects our intent.

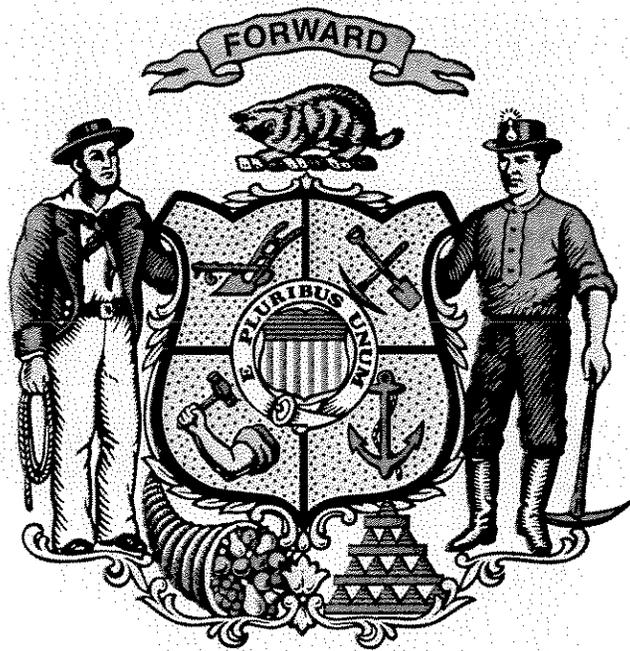
Thanks,

Adam



ADAM PEER, Clerk, Assembly Committee on Insurance

Contact • Constituent Services • Legislation
Insurance Committee • Insurance Advisory Council



**Wisconsin Senate Roll Call
2005-2006 SESSION**

**SB 451
REJECTION
SA2 - SSA2**

AYES - 21

BROWN
DARLING
DECKER
ELLIS
FITZGERALD
GROTHMAN
HARSDORF

KANAVAS
KAPANKE
KEDZIE
LASEE
LASSA
LAZICH
LEIBHAM

OLSEN
PLALE
REYNOLDS
ROESSLER
SCHULTZ
STEPP
ZIEN

NAYS - 12

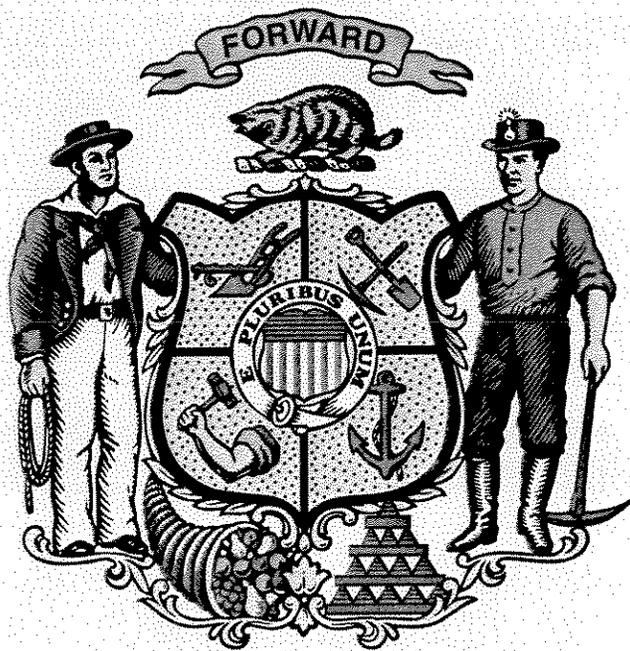
BRESKE
CARPENTER
COGGS
COWLES

ERPENBACH
HANSEN
JAUCH
MILLER

RISSER
ROBSON
TAYLOR
WIRCH

NOT VOTING - 0

SEQUENCE NO. 276
Tuesday, December 06, 2005
1:38 PM



Date: December 7, 2005

To: Sean Dilweg

From: David Schmiedicke

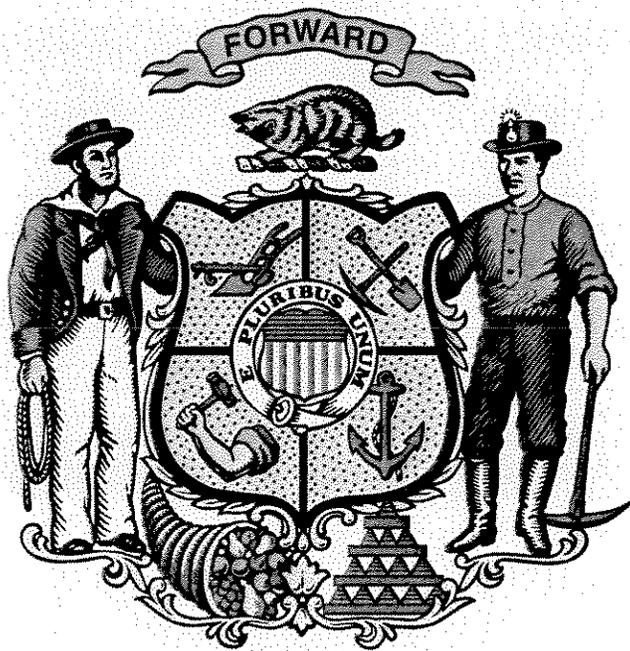
Subject: Health Insurance Risk Sharing Plan (HIRSP)

Under the biennial budget, HIRSP would have been transferred from DHFS to a non-profit, private organization which would operate HIRSP. The transfer of responsibility to the new organization would have occurred January 1, 2006. Because the bill did not include enough protections for policyholders, the Governor vetoed all the provisions related to HIRSP and asked that the program be restructured to provide the organization some flexibility to respond to market conditions while at the same time, providing protections for policyholders. While the veto maintained current law, the budget bill deleted all of the funding and position authority for HIRSP as of January 1, 2006. The Governor could not restore that funding or positions through his veto.

Assembly Bill 844 creates a quasi-state authority to run HIRSP, effective July 1, 2006. The bill also restores \$78 million for HIRSP benefits for the period January 1 through June 30, 2006, so DHFS can continue to administer HIRSP for the second half of this fiscal year. The transfer of administration for HIRSP would be effective July 1, 2006.

If the expenditure authority for HIRSP benefits is not restored, almost 19,000 people who are unable to obtain coverage in the individual market because of their poor health conditions would lose their health insurance coverage under HIRSP. Without HIRSP, which is Wisconsin's high-risk pool, federal law requires insurers to guarantee coverage to people who had creditable health insurance coverage. This coverage is more limited than what HIRSP offers, there are no limits on premiums that can be charged and there are no subsidies for low-income people as there currently are under HIRSP. Finally, there is no guaranteed coverage for certain groups like AIDS/HIV patients.

In addition, DHFS would have no staff to run the program and no legal authority to reimburse health care providers for services provided to HIRSP participants.



GENERAL FUND TAXES

Omnibus Motion
[LFB Papers #315 through #321]

Motion:

Move to adopt the following provisions relating to general fund taxes:

1. *Withholding from Nonresident Members of Pass-Through Entities.* Adopt Alternative 2 of LFB Paper #315, which would approve the Governor's proposal to require income taxes to be withheld from nonresident members of pass-through entities with a modification to exempt publicly traded partnerships (PTPs) treated as partnerships from the withholding requirements if the entity agreed to file an annual information return reporting the name, address, taxpayer identification number, and other information requested by the Department of Revenue (DOR) for each unitholder with an income in the state from the PTP in excess of \$500.
2. *Individual Income Tax Deduction for College Tuition.* Adopt Alternative 2 of LFB Paper #316, which would modify the Governor's proposal to increase the income tax deduction for higher education tuition payments by: (a) eliminating the reference to a maximum deduction of \$5,100; and (b) specifying that the increased deduction would first apply to tax years beginning on January 1, 2005.
3. *Earned Income Tax Credit (EITC).* Adopt the modification in LFB Paper #317, which would provide \$5,300,000 GPR in 2005-06 and \$6,700,000 GPR in 2006-07 to cover the costs of the EITC under current law. These amounts reflect a revised estimate of the cost of the credit.
4. *Internal Revenue Code (IRC) Update.* Adopt Alternative 2 of LFB Paper #318, which would adopt the Governor's recommendation to update state tax references to the IRC with a modification to include Public Law 108-375 in order to conform to the federal exclusion from gross income for members of the military for travel benefits donated by them.
5. *Livestock Farm Investment Credit.* Adopt Alternative 3 of LFB Paper #319, which would delete the Governor's recommendation to convert the current dairy farm investment credit to a livestock farm investment credit, and instead include the provisions of ASA 1 to AB 145, which would create a separate livestock tax credit. Specify that the new credit would be available for tax years that begin after December 31, 2005, and before January 1, 2012.

(19) *Credit for HIRSP Assessments.* Create a nonrefundable credit under the insurance premiums tax, the corporate income and franchise tax, and the tax on investment income paid by domestic (Wisconsin-based) life insurance companies equal to a percentage of the amount of assessments paid by the insurer during the taxable year under the health insurance risk-sharing plan (HIRSP). Require DOR, in consultation with the Office of the Commissioner of Insurance, to determine the credit percentage for each year so that the annual cost of the credit is as close as practicable to \$2 million in the 2006-07 fiscal year and \$5 million in each fiscal year thereafter. Provide that unused credits could be carried forward for fifteen years to offset future tax liabilities. Specify that the credit would first apply to tax years beginning on January 1, 2006.

Note:

The following table shows the estimated fiscal effects of this motion in the 2005-07 biennium, compared to AB 100. As shown, the motion is estimated to increase GPR expenditures by \$8.0 million in 2005-06 and \$9.4 million in 2006-07 and to decrease general fund tax revenues by \$0.9 million in 2005-06 and \$11.4 million in 2006-07. The net impact on the general fund would be a decrease of \$8.9 million in 2005-06 and \$20.8 million in 2006-07. As the provisions of the motion are phased-in, the total impact on the general fund (in 2006-07 dollars) would increase to \$54.0 million in 2007-08, \$80.3 million in 2008-09, \$105.5 million in 2009-10, \$125.5 million in 2010-11, and \$137.9 million in 2011-12 and thereafter.

It should also be noted that the provisions of the motion regarding the sales factor of the apportionment formula would eliminate provisions of AB 100 that would likely result in a net increase in tax revenues, and retain provisions that would likely result in a net tax reduction. This would likely result in a substantial decrease in tax revenues beginning in 2005-06, compared to AB

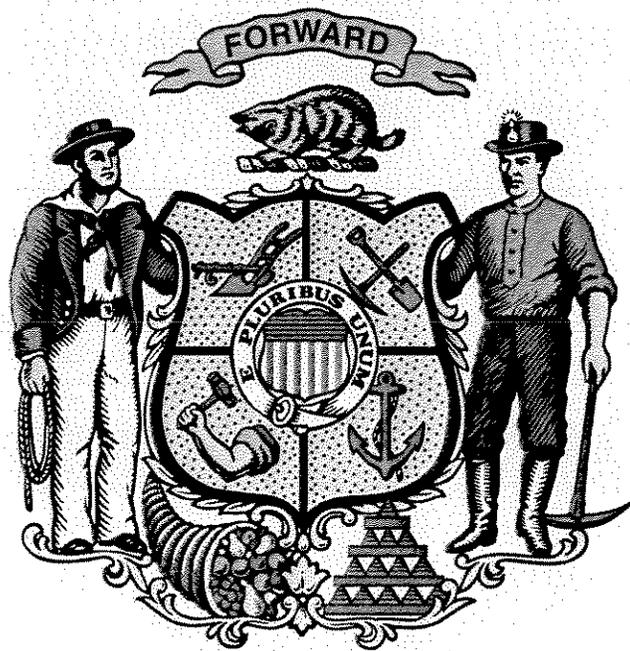
100. However, the precise amount of the revenue loss cannot be determined.

Estimated Fiscal Effects of Omnibus General Fund Tax Motion

Item	Provision	Change to AB 100		
		2005-06	2006-07	
1	Pass-Through Member Withholding	\$0	\$0	
2	Deduction for College Tuition	0	0	
3	Earned Income Tax Credit	5,300,000	6,700,000	GPR
4	IRC Update	0	0	
5	Livestock Farm Investment Credit	0	-185,400	GPR-REV
6	Development Zones Tax Credit	0	0	
7	Apportionment Sales Factor*	Unknown	Unknown	GPR-REV
8	Income Tax Reciprocity	0	0	
9	Veterans' Property Tax Credit	2,700,000	2,700,000	GPR
		400,000	400,000	GPR-REV
10	Car Line Company Tax	-135,000	-135,000	GPR-REV
11	Sales Tax on Affiliates' Transactions	Minimal	Minimal	GPR-REV
12	Health Savings Account	-3,500,000	-4,000,000	GPR-REV
13	Deduction for Health Insurance Premiums	0	-2,000,000	GPR-REV
14	Sales Tax on Temporary Help Agencies	0	0	
15	Exclusion for Social Security Benefits	0	-8,000,000	GPR-REV
16	Retailer's Discount	2,300,000	5,000,000	GPR-REV
17	Exemption for Clay Pigeons	0	0	
18	Credit for Military Income	0	-500,000	GPR-REV
19	HIRSP Assessment Credit	0	-2,000,000	GPR-REV
	Total	\$8,000,000	\$9,400,000	GPR
		-935,000	-11,420,400	GPR-REV

*The motion's modifications regarding the sales factor of the apportionment formula would result in a revenue loss compared to the provisions of AB 100. The fiscal effect would likely be substantial, but a precise amount is not known.

[Change to Bill: \$17,400,000 GPR and -\$12,355,400 GPR-REV]

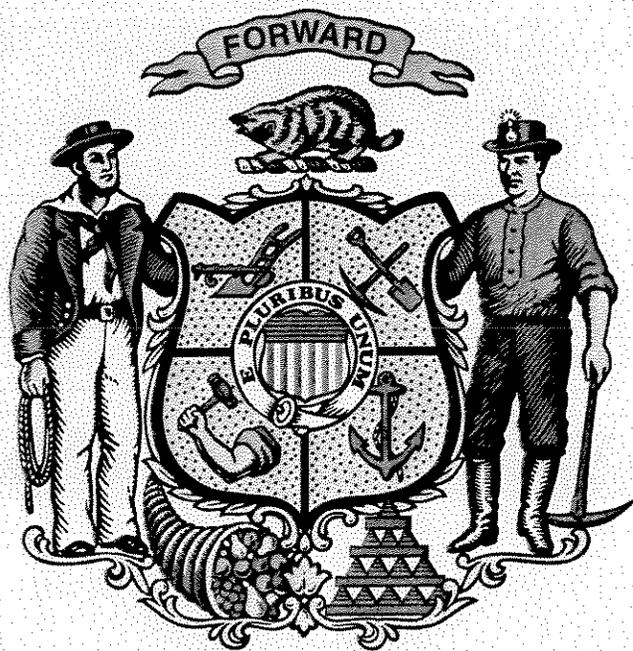


Health Insurance Risk-Sharing Plan (HIRSP) Reform

<p>Proposed Reform Legislation</p> <p>HIRSP Authority Creates new HIRSP Authority with board of directors composed of 13 voting members plus the OCI Commissioner as an ex-officio member. Members and the chair person will be appointed by the Governor. Members will be subject to Senate confirmation.</p> <p>The authority will operate as a quasi-governmental unit subject to open records, open meetings, competitive bid processes and reviews by DOA, LAB and LFB. The authority has immunity for any act or omission unless it constitutes willful misconduct.</p> <p>The authority may appoint an executive director and other staff.</p>	<p>AB 100 Provisions</p> <p>HIRSP Authority Create a private, non-profit entity to govern HIRSP. The private non-profit entity created in the budget was not subject to standard government accountability measures. The budget proposal allowed the Commissioner of Insurance to appoint the 13 HIRSP Board members and the Senate to confirm them.</p>
<p>Benefit Design Detailed list of services will remain in statute, with some modifications to comport with NAIC model language while maintaining compliance with state insurance mandates. Coverage levels explicitly linked to insurance mandated levels. Premiums continue to be capped at 200%, but the 140% floor is removed. Subsidy costs continue to be funded by insurers and providers, split 50/50. Other plan costs are funding 60% by policy holders, 20% by insurers and 20% by providers. Subsidy income levels remain unchanged and remain in statute. Provider rates and certification remain linked to Medicaid rates and certification. HIRSP will coordinate with the new Medicare Part D drug plan and the plan shall not cover expenses paid for by Medicare. The plan is required to apply as a state pharmacy assistance program under</p>	<p>Benefit Design Deleted benefits from the statute and delegated all benefit and plan design decisions to the private, non-profit board. Premiums continue to be capped at 200%, but the 140% floor is removed. Require <u>all</u> HIRSP costs including the subsidy program to be funded: 60% by policyholders, 20% by insurers and 20% by provider payment rate adjustments Benefit design must be comparable to typical individual health insurance policies offered in the private market. Board establishes subsidies under its own authority.</p>

<p>Medicare.</p> <p>The benefit design shall provide benefit levels, deductibles, co-payment levels and coinsurance requirements, exclusions and limitations that generally reflect and are commensurate with comprehensive health insurance coverage offered in the private insurance market and may develop additional benefit designs that are responsive to market conditions.</p>	<p>Provider rates and certification remain linked to Medicaid rates and certification. HIRSP will coordinate with the new Medicare Part D drug plan and the plan shall not cover expenses paid for by Medicare. The plan is required to apply as a state pharmacy assistance program under Medicare.</p>
<p>OCI Review</p> <p>The OCI Commissioner shall enforce and collect the insurers' assessment for the plan costs. In addition benefit design changes are subject to approval by the Commissioner based on the following review criteria:</p> <ul style="list-style-type: none"> • The benefit design is not comparable to a typical comprehensive individual health insurance policy; • The benefit levels are not generally reflective and commensurate with comprehensive private individual market plans; • The co-payments, deductibles and coinsurance levels are not actuarially equivalent to comprehensive individual plans and create undue financial hardship; or • The benefit design is inconsistent with the purpose of providing health care coverage to those unable to obtain coverage in the private market. 	<p>OCI Review</p> <p>OCI oversight limited to standard form review process. In reviewing policy forms review is limited to checking if the benefit design is comparable to a typical individual health insurance policy, without consideration of the unique purpose HIRSP serves.</p>
<p>Insurer Tax Credit</p> <p>Starting in tax year 2006 insurers are eligible for a HIRSP assessment credit. Total credit amount is \$5 million per fiscal year. DOR, in consultation with OCI, will determine the percentage split for each eligible insurer. Credits can be carried forward for 15 years, and are first payable in FY08.</p>	<p>Insurer Tax Credit</p> <p>\$2 million tax credit in 2006 and a \$5 million tax credit in 2007 and thereafter</p>

<p>Eligibility Changes</p> <p>Allow certain MA recipients receiving only limited coverage under MA to apply for HIRSP coverage. The plan shall not cover expenses paid for by Medicaid. Require non-HIPAA eligible policyholders to have lived in Wisconsin for 3 months and have been rejected by two insurers. The authority shall establish policies for determining and verifying the continued eligibility of policyholders.</p> <p>Create new separate health care plan administered by the authority for individuals eligible for federal Health Coverage Tax Credits (HCTC).</p>	<p>Eligibility Changes</p> <p>Six month residency requirement and two rejections.</p> <p>No allowance for individuals receiving limited MA benefits, or for HCTC eligible individuals.</p>
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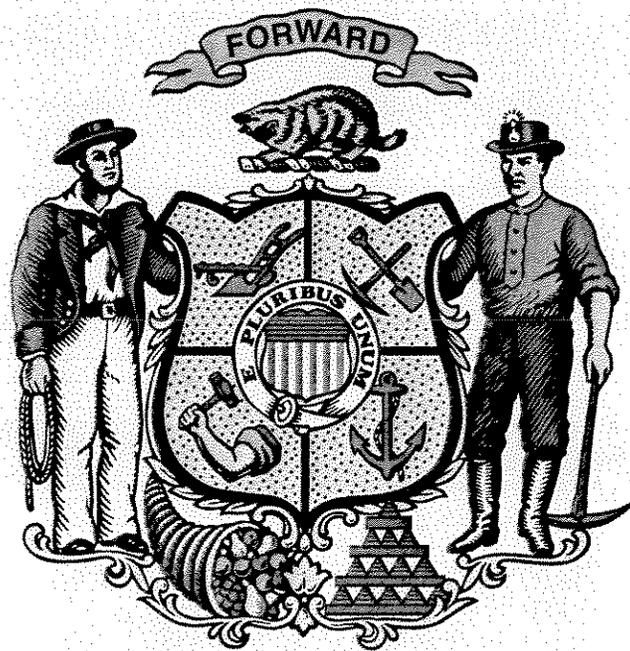


Sen. Roessler -

~~SSA~~

Basis of SA1 to SSA2 is
found on page 60 of the
Sub. A.

Non-statute language / directive that
authority " assess the historic utilization
experience + diagnosis related needs



HIRSP Reform Talking Points Mental Health and AODA Benefits

The HIRSP reform bill uses the statutory mandate for mental health and alcohol and other drug abuse (AODA) as the minimum benefit for HIRSP. It also creates nonstatutory language that requires the HIRSP Board to assess the actual mental health and AODA utilization experience of persons on HIRSP and make any necessary adjustments to benefits to ensure appropriate access to evidence-based treatment strategies. Any future changes to the marketplace mandate would apply to HIRSP.

- **The HIRSP benefit levels defined in the proposal represent the minimum level of benefits to be offered in HIRSP policies. The HIRSP Authority Board, which will be appointed by the Governor and confirmed by the Senate, will establish the final benefit levels based on the needs of enrollees.**
- **Nonstatutory language contained in the proposal requires the Board to assess the needs of HIRSP enrollees using actual utilization data and to adjust the benefit if needed to ensure patients receive appropriate access to evidence-based mental health and alcohol and AODA treatments.**
- **Placing the final benefit levels in statute would make it harder for the Board to keep the benefits current with standard, effective treatment practice. The standards of mental health and AODA treatment change over time. Today, prescription medications and outpatient visits have replaced most inpatient services as the best treatment.**
 - **Example: AODA treatment in the 1980s might have involved a 28-day inpatient stay. Today, the inpatient stay might be only one to five days with more emphasis on outpatient visits.**
- **An analysis of HIRSP inpatient days shows that the current HIRSP mental health and AODA benefits far exceed the utilization of the typical HIRSP patient. For the period 1/1/04 through 3/31/05, the average length of inpatient stay for HIRSP AODA patients was 4.26 days, while the average length of stay for HIRSP mental health patients was 9.17 days. The discounting of provider payments in HIRSP actually makes the HIRSP mental health and AODA benefit levels greater than the benefit levels prescribed in the state mandate for commercially insured policies.**

Health Insurance Risk Sharing Plan (HIRSP) Insurer Tax Credit Talking Points

The HIRSP reform bill creates a \$5 million annual tax credit for insurers who pay HIRSP assessments and taxes, beginning in tax year 2006 and first claimable after December 31, 2007. There is no fiscal impact this biennium. The bill includes the standard tax credit carry-forward of fifteen (15) years. The insurer tax credit is the most cost-effective way for the state to address the inequities in HIRSP funding.

- **Inequitable cost-sharing hurts the commercially insured market – 27.5% of Wisconsin's health care market bears 100% of the current \$38.9 million HIRSP assessment on insurers.** The growing number of self-funded or self-insured companies in Wisconsin pay nothing toward the cost of HIRSP and will pay nothing under the HIRSP reform proposal.
- **Wisconsin's small group insurers pay the majority of the HIRSP insurer assessment even though group insurers are not allowed to reject individuals and send them to HIRSP.** The HIRSP insurer assessment places a disproportionate burden on health insurance premiums for small businesses who can not afford to self-fund their health care needs.
- **At least ten (10) other states with high risk pools like Wisconsin's HIRSP use an insurer tax credit ranging from 20% to 100% to help offset the cost-shift that results because a shrinking commercially insured market is responsible for a growing HIRSP assessment. Wisconsin's proposed 12.85% credit would be the smallest insurer tax credit.**

Some have argued that any state contribution toward HIRSP should be a GPR commitment that reduces the overall cost of the program.

- **It would take a GPR commitment of \$25 million to reduce by \$5 million the cost-shift to the small group market that bears 100% of the HIRSP insurer assessment.** The first \$15 million or 60% would be used to reduce HIRSP policyholder premiums, the next \$5 million or 20% would reduce the amount of the provider discounts and the remaining \$5 million or 20% would reduce the cost-shift to the small group market.
- **HIRSP policyholders are able to deduct from their income taxes the cost of their HIRSP premium.** Self-employed HIRSP participants can already deduct 100% of their premium. Beginning in January 2006, employed persons will be able to deduct 100% if their employer does not contribute toward their medical care insurance. Those with no employer, and no self employment income, will be able to claim a deduction that will be phased-in over a three-year period beginning in tax year 2007 and reaching 100% in 2009.

Health Insurance Risk-Sharing Plan (HIRSP) Reform Update

Summary:

Over the last several months individual discussions have taken place with the Doyle Administration, HIRSP advocates and key legislators to develop a bipartisan HIRSP reform proposal that eases the financial burden of HIRSP on all HIRSP stakeholders and makes HIRSP more comparable to health insurance products in today's individual insurance market. The HIRSP reform proposal, that was passed by the Legislature in the State Budget but vetoed by the Governor, is being modified to respond to concerns of Doyle administration officials and HIRSP program advocates while retaining the majority of core principles in the Legislature's HIRSP proposal.

Key Modifications:

1. **Transform the organizational structure of HIRSP to a quasi-governmental "authority"** with a board of directors empowered to make cost-saving benefit, administrative and other market-focused program changes. The budget proposal created a private, non-profit entity to govern HIRSP.
2. **Create statutorily imposed government oversight mechanisms** such as open records, open meetings, a competitive bid process for administrative contracts and a State Audit Bureau audit. The private non-profit entity created in the budget was not subject to standard government accountability measures.
3. **Provide that the Governor appoints the 13 member HIRSP Board and its chairperson and the Senate confirms the Board** and require that at least two of the five public members be HIRSP policyholders. The Commissioner of Insurance would serve as a non-voting member. The budget proposal allowed the Commissioner of Insurance to appoint the 13 HIRSP Board members and the Senate to confirm them.
4. **List the basic covered services in the state statutes consistent with federal Health Insurance Portability and Accountability Act (HIPAA) requirements for "eligible individuals" and Wisconsin mandated benefits** but allow the new, more independent HIRSP Board to establish benefit levels, deductibles, copayments and coinsurance requirements, exclusions, and limitations that are generally reflective and commensurate with comprehensive health insurance coverage offered in the private individual market in the state. The budget proposal delegated all benefit and plan design decisions to the private, non-profit board.
5. **Require insurers and providers to contribute equally toward the cost of the premium and deductible subsidy program** for individuals with incomes below \$25,000, after any federal funds for high risk pools are first used to reduce the cost of the subsidy program. The budget proposal required all HIRSP costs including the subsidy program to be funded 60% by policyholders, 20% by insurers and 20% by provider payment rate adjustments.

6. **Create additional conditions under which the Commissioner of Insurance could reject a form filing for HIRSP** to include that “the level of cost-sharing is not actuarially equivalent to comprehensive individual health insurance policies offered in the private sector market in this state and would create financial hardship for eligible populations”. The budget proposal allowed the Commissioner to reject a form filing if the benefit design is not comparable to a typical individual health insurance policy offered in the private sector market in this state.
7. **Create a \$5 million HIRSP tax credit for insurers who pay HIRSP assessments and taxes beginning in tax year 2006 and first claimable in fiscal year 2008. Allow for a 15-year carry-forward.** The budget included a \$2 million tax credit in 2006 and a \$5 million tax credit in 2007 and thereafter.
8. **Require the new authority to seek to create a federally qualified separate pool for the Federal Health Coverage Tax Credit (HCTC) population with no subsidization from insurers or providers.** The new pool would allow the HCTC population to be eligible for a 65 percent federal refundable tax credit. The budget proposal did not include a pool for the HCTC population.

Wisconsin Association of Health Plans

December 5, 2005

TO: Members of the Wisconsin Legislature
FROM: Wisconsin Association of Health Plans
RE: HIRSP Reform – AB 844 / SB 451

The Health Insurance Risk Sharing Plan (HIRSP) is a safety-net program serving an important role for all Wisconsin residents. In its current form, however, it is a growing source of health care cost-shifting in Wisconsin. Since 2000:

- Annual HIRSP program costs more than quadrupled to \$207 million.
- Average individual policyholder payments doubled.
- Annual HIRSP assessments and provider discounts skyrocketed to \$78 million—a cost-shift that makes health care coverage more expensive.

The growth in HIRSP costs is unsustainable. To ease the financial burden of the program, which receives no state general purpose revenue, **we urge you to support AB 844 from Rep. Ann Nischke and SB 451 from Sen. Dan Kapanke.** These companion bills are based on the proposal included in the Legislature's 2005-2007 State Budget, but address the concerns raised by Governor Doyle in his veto message.

Since its creation in 1980, the HIRSP benefit design has changed very little. As a result, HIRSP has failed to keep pace with cost-saving innovations in health care coverage, which are introduced every year. Without proven cost-containment strategies in place, HIRSP costs grow faster than the cost of other programs. To stem this growth, new, more flexible governance is needed to make HIRSP more responsive to change.

The HIRSP reform proposal:

- **Transforms HIRSP into a quasi-governmental authority** governed by a Board of Directors composed of HIRSP policyholders, health care providers, insurers and small business. The authority would feature adequate government oversight mechanisms, such as open records and meetings.
- **Empowers the HIRSP Board to make cost-saving, market-focused changes** in administration, care management, benefit designs and other program areas. The Board would more effectively respond to changes in health care and take advantage of opportunities to control costs while meeting policyholder needs.
- **Produces more equitable HIRSP cost-sharing** through a tax credit first claimable after December 31, 2007, for insurers that pay taxes and HIRSP assessments.

We urge you to make HIRSP more responsive to market changes and opportunities for cost savings. Please join the growing list of bi-partisan supporters of HIRSP reform and support AB 844 and SB 451.