



October 7, 2010

Representative Jon Richards
Room 118 North
State Capitol
P.O. Box 8953
Madison, WI 53708

Dear Representative Richards:

As the Joint Legislative Council Special Committee on Health Care Reform Implementation ("Committee") explores governance models for an American Health Benefits Exchange and Small Business Health Options Program (collectively referred to as the "Exchange") in Wisconsin, it may want to consider the Health Insurance Risk-Sharing Plan (HIRSP) Authority.

The timeline for states to establish their Exchange is ambitious. In order to meet the timelines states will need to build upon existing resources. One potential resource that could be leveraged is the HIRSP Authority. The Authority has demonstrated success around many of the core competencies that will be required to develop and implement the Exchange and offers other advantages that the Committee may wish to consider. These are discussed in more detail below.

Goals of Exchange:

While the following list represents goals that have been outlined for the Exchange, these goals are compatible with and in some cases identical to the goals pursued by the HIRSP Authority as it administers the state risk pool.

- Increased market transparency to improve competition and allow for choice based on price and quality;
- Better portability and continuity of coverage;
- Guaranteed access to insurance regardless of an individual's health status;
- Standardized information to simplify insurance purchasing;
- Improvement of the overall value proposition of insurance coverage; and
- Reduced rates of growth in health care costs.

Functions of an Exchange:

The list of functions for the Exchange below is not exhaustive, but it illustrates many of the key functions necessary to operate the Exchange. The tasks highlighted in bold represent core competencies under the administration of the HIRSP Authority:

- **Determine and coordinate eligibility;**
- **Create standardized benefit plan options at specified actuarial values;**
- **Certify qualified health plans;**

- **Maintain a call center;**
- **Establish website for comparative quality and cost information;**
- Assign quality ratings and reward quality;
- Set up and administer/oversee Navigator program;
- **Inform individuals about the existence of and their eligibility for public programs such as Medicaid and BadgerCare;**
- **Administer premium payment calculation and collection;**
- **Pay brokers/agents;**
- **Conduct risk adjustment and manage reinsurance;**
- **Determine qualification for low-income subsidies and waivers from mandate;**
- Manage small employer interface; and
- Communicate with Department of Treasury regarding individual mandate exemptions and small business opt-out.

Advantages of a Quasi-Governmental Governance Model:

There are pros and cons associated with various governance models that could be used to establish an Exchange, but a strong case can be made for why a quasi-governmental authority provides the best governance structure. Below are a number of attributes associated with quasi-governmental entities that make them ideally suited to administer the Exchange.

Quasi-governmental entities are:

- Transparent and accountable to government and the public;
- Insulated from changes in the political environment;
- Nimble and flexible to allow for quick response to changes in market conditions;
- Able to interact effectively with state and federal government and its agencies as well as the private sector;
- Situated to be directed by governing boards comprised of individuals with necessary technical expertise; and
- Able to effectively contract with key partners to carry out administrative functions, if necessary.

The HIRSP Authority provides an excellent case study on the advantages of a quasi-governmental structure. When HIRSP was administered by the Department of Health and Family Services it was competing with Medicaid and other programs for staff time and resources within the Department. In response, the Wisconsin Legislature and Governor Doyle created the HIRSP Authority as an organization that by design and mission could be singularly focused on providing access to health insurance to Wisconsinites with pre-existing conditions. The HIRSP Authority Board of Directors and staff subsequently dedicated themselves and succeeded in making HIRSP one of the most successful and affordable risk pools in the country. For example, premiums for the HIRSP 2,500 plan are lower now than they were five years ago.

Potential Expansion of the HIRSP Authority to Develop and Manage the Exchange:

The HIRSP Authority has the expertise, relationships and credibility to work with insurers, third party administrators, providers, federal and state agencies, agents, navigators, consumers, advocates, the business community and other stakeholders to develop and implement a successful Exchange for

Wisconsin. HIRSP has demonstrated core competencies on Exchange related responsibilities and offers the advantages of a quasi-governmental entity.

HIRSP represents the largest or second-largest (depending on the unit of measurement) individual insurer in Wisconsin. Therefore, the Authority and HIRSP members are key stakeholders for the new Exchange. Using the Authority as the foundation for the new Exchange would ensure that these member's interests are well represented in the planning for the Exchange. It would also ensure that the implementation of the Exchange and the merging of the risk pool into the commercial market would be done thoughtfully and in a manner that mitigates risk such as the commercial market experiencing considerable "rate shock" and that Wisconsin residents with pre-existing conditions receive comparable coverage and quality of care through the Exchange as they do under HIRSP.

While HIRSP is not a commercial insurer, under Wisconsin law and functionally, the HIRSP Authority operates much like a non-profit insurance company and the Office of the Commissioner of Insurance has regulatory oversight of the Authority. The HIRSP Authority is conversant in state insurance law and regulation and has designed its operations and benefit plans to meet or exceed all applicable state mandates and requirements. In order to be successful, the HIRSP Authority must have comprehensive knowledge of the Wisconsin insurance marketplace and emerging benefit, medical/care management and provider payment trends.

HIRSP has applied its insurance market expertise in a number of ways to benefit its members, including the addition of three new benefit plans, effective medical management techniques which have reduced HIRSP costs and premiums, and the expansion of coverage for routine and preventive services. When the Authority became aware of an emerging trend of employers purchasing "mini med" policies, which offered employees very limited coverage (e.g., \$10,000 annual limits), it exercised its statutory authority to expand HIRSP coverage to protect employees whose medical needs could not be adequately met by these plans and who could not obtain coverage in the private market.

The Authority has a highly cost effective and efficient administrative structure that could be leveraged to benefit the development and operation of the Exchange. Less than \$.05 of every dollar is spent on administration.

Another advantage of utilizing the HIRSP Authority as the quasi-governmental authority for the Exchange is that it already exists and, with some adjustments to its board structure and staffing, could begin work almost immediately.

Creating a new quasi-governmental authority would entail an extensive set of organizational start-up activities, including but not limited to appointing and orienting a new board of directors, hiring an entire staff, procuring an office and equipment, providing training on relevant statutory requirements for procurement, and open meetings/records laws, and conducting a procurement to hire qualified actuaries.

The Authority and its staff have developed excellent working relationships with the Wisconsin Legislature, the Office of the Commissioner of Insurance, the Department of Health Services, health care providers, health insurers and consumer advocates across this state, which would allow the Authority to hit the ground running on day one to provide leadership on a collaborative development process that will ensure that the Wisconsin Exchange meets the needs of Wisconsin residents and further improve health care delivery and access in the state.

Potential Modifications to HIRSP Authority Board Structure to Accommodate Exchange:

The membership of the HIRSP Authority Board of Directors was carefully selected in order to ensure that the Authority would benefit from the perspectives of the various risk-pool stakeholder groups and that the plan's directors would be equipped with the skills and expertise necessary to administer and oversee the operations of a complex health insurance plan. Much of the success of the HIRSP Authority can be attributed to the quality of its board members who bring to the table demonstrated experience in various aspects of insurance administration, including finance and accounting, benefit design, medical and care management, customer service, consumer rights, insurance regulation, etc. If the Committee was interested in using the HIRSP Authority as the governance structure for the Exchange, the existing board could be the foundation for an Exchange board.

There is considerable overlap between HIRSP stakeholders and Exchange stakeholders. There is also likely to be overlap between the stakeholders represented on the HIRSP Authority Board of Directors and directors appointed to a board overseeing the Exchange. This overlap includes at least: (1) small business that purchases health insurance; (2) a consumer advocate; and (3) the Commissioner of Insurance. If the Wisconsin legislature wants the Exchange board to include other groups who are HIRSP stakeholders, such as representatives of health-care providers, and/or insurers participating in the Exchange, then the overlap could be even greater.

Nevertheless, the HIRSP stakeholders would not be identical to the Exchange stakeholders. For example, the Exchange stakeholders include Medicaid and BadgerCare Plus officials, which are not represented on the HIRSP Authority Board. Therefore, the Exchange will presumably need to be governed by a board that is somewhat different from the existing HIRSP Authority Board.

Because the Patient Protection and Affordable Care Act (PPACA) guarantees that all individuals, regardless of their health status, will have access to health insurance coverage in the commercial market effective January 1, 2014, PPACA theoretically eliminates the need for HIRSP after that date, except for a wind-down period. Nevertheless, from 2011 through the HIRSP wind-down period, HIRSP and the Exchange will need to work together in a cooperative and mutually beneficial manner as described above. Therefore, the optimum relationship between the Exchange and the HIRSP Authority would involve an arrangement which (1) takes advantage of the overlap between the two boards, (2) minimizes the opportunity for disagreement between the two boards, and (3) shares the same staff as much as possible. If the Committee were to support this relationship, several possible arrangements could satisfy the three requirements. Two are discussed below.

One possible arrangement would be a single board that has two components: the HIRSP portion (e.g., a HIRSP committee) and the Exchange portion (e.g., an Exchange committee). Some board members (those representing both HIRSP stakeholders and Exchange stakeholders) would be members of both committees, taking advantage of the overlap. Those board members representing only HIRSP stakeholders would be members only of the HIRSP committee and thus have no voting rights regarding Exchange matters. Those board members representing only Exchange stakeholders would be members only of the Exchange committee and thus have no voting rights regarding HIRSP matters. All board members would have voting rights on administrative issues that impacted both programs, such as staffing matters.

Another possible arrangement would be two separate but non-equal boards, with one board reporting to the other board and with some persons (those representing both HIRSP stakeholders and Exchange stakeholders) serving on both boards. If this alternative were followed, the HIRSP Authority board

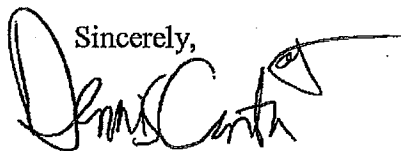
should arguably report to the newly-created Exchange board, because the HIRSP Authority will be a shorter-term entity and the Exchange will be a longer-term entity.

Under both arrangements, board members who are appointed by the Governor only to oversee risk pool operations (e.g. HIRSP committee members who do not also serve on the Exchange committee under a combined board) would have their terms sunset in 2014 when the risk pool is merged into the Exchange.

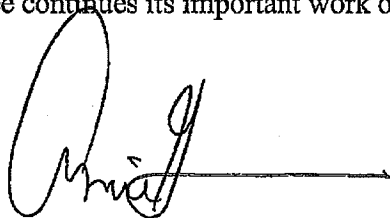
Both of these arrangements would allow Exchange planning to happen quickly and efficiently and would leverage the existing HIRSP Authority infrastructure to benefit the development and operation of an Exchange in Wisconsin.

We hope this information will be useful to you and the members of the Committee as they deliberate potential governance options for the Exchange. Regardless of the outcome of those discussions, the HIRSP Authority Board of Directors and staff stand ready to lend their expertise to assist the Committee in any way it can as the Committee continues its important work on federal health care reform implementation.

Sincerely,



Dennis Conta
Chair, Board of Directors



Amie Goldman
CEO

Cc: HIRSP Authority Board of Directors
Heidi Frechette, Staff Attorney – Joint Legislative Council
Laura Rose, Deputy Director – Joint Legislative Council