



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #390

### **Wisconsin Healthcare Stability Plan (Insurance -- Agency Operations and Current Programs)**

[LFB 2021-23 Budget Summary: Page 318, #2]

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#### **CURRENT LAW**

The Wisconsin Healthcare Stability Plan (WIHSP) is a state-operated reinsurance program, supported with state and federal funding, that is intended to reduce premiums paid by individuals who purchase health insurance in the individual market. Reinsurance payments reimburse insurers for a portion of the total annual claims for individuals with high costs. For the 2021 plan year, for instance, the program will reimburse insurers for 48% of the total annual claims paid by the insurer that fall between \$40,000 and \$175,000, for the covered services of any individual enrolled by the insurer in the individual insurance market. Because a portion of a participating insurer's medical claims costs are paid from the program, rather than premium revenue, the monthly premiums charged by the insurer will be lower.

Under WIHSP, the Office of the Commissioner of Insurance (OCI) is required to set annual payment parameters for the program such that total annual reinsurance payments will be up to \$200 million. Reinsurance payments are made from two appropriations. First, a federal funds appropriation enables OCI to expend all moneys that the agency receives that are generated by federal savings resulting from reduced costs of federal premium tax credits. The federal Department of Health and Human Services (DHHS) notifies the state of this amount, referred to as the "pass-through funding," at the beginning of each plan year. Second, a sum-sufficient GPR appropriation funds the difference between available federal pass-through funding and the total reinsurance payments. Reinsurance payments are made in August of the year following the end of the plan year for which the claims were paid. Thus, 2020 plan year and 2021 reinsurance payments will be paid in state fiscal year 2021-22 and 2022-23, respectively.

## MODIFICATION

Decrease funding by \$16,500,000 GPR in 2021-22 to reflect the amount of state funding needed to make reinsurance payments under the Wisconsin healthcare stability plan for the 2020 plan year. This funding adjustment is relative to sum sufficient appropriation estimates adopted by the Committee under LFB Issue Paper #102.

**Explanation:** On May 6, the Committee adopted sum sufficient appropriation estimates for the 2021-23 biennium, under LFB Issue Paper #102. Among these adjustments was an estimate of GPR funding needed to make reinsurance payments under WIHSP, which were set at \$58,044,800 in 2021-22 and \$34,233,200 in 2022-23. Relative to the appropriation base (\$72,273,700), this reestimate reduced funding by \$14,228,900 GPR in 2021-22 and \$38,040,500 GPR in 2022-23. For both years, the estimate was based on the difference between on the state's federal pass-through funding and \$200,000,000, the estimated reinsurance payment total.

Since the time that the Committee adopted that reestimate, insurers have filed final reinsurance claims for the 2020 plan year. Although these claims are still being reviewed, total payments are expected to be approximately \$183.5 million in 2021-22, which is lower than the previously estimated total of \$200,000,000 by \$16.5 million. Since the federal pass-through funding is a fixed amount, the amount of state funds needed for payments can be reduced by \$16,500,000 in 2021-22, relative to the estimate included in Issue Paper #102. Relative to the base, total reduction, including both this reestimate and the adjustment made under LFB Issue Paper #102 is \$30,728,900 in 2021-22. The estimate for 2022-23 is not changed.

Change to Base	
GPR	- \$16,500,000

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