

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

The State of Wisconsin in 1981 established a Health Insurance Risk-Sharing Plan (HIRSP) for the purpose of making health insurance coverage available to medically uninsured residents of the state. HIRSP offers different types of medical care coverage plans for residents.

One type of medical coverage provided by HIRSP is the Major Medical Plan. This type of coverage is called Plan 1. Eighty-eight percent of the 13,645 HIRSP policies in effect in March 2002, were of the Plan 1 type. Plan 1 has Option A (\$1,000 deductible) or Option B (\$2,500 deductible). The rate increases for Plan 1 contained in this rulemaking order increase an average of 25.4%. This produces policyholder premiums that are equivalent to 150% of the industry standard, the minimum allowed by statute. Rate increases for specific policyholders range from 19.2% to 27.8%, depending on a policyholder's age, gender, household income, deductible and zone of residence within Wisconsin. These rate increases reflect general and industry-wide premium increases and take into account the increase in costs associated with Plan 1 claims. For example, recent annual industry standard premium rates have increased by approximately 35%. HIRSP costs have risen by a smaller amount, hence the smaller rate increases for HIRSP, relative to the industry standard. HIRSP premiums must fund 60% of plan costs and are set in accordance with ch. 149, Stats.

A second type of medical coverage provided by HIRSP is for persons eligible for Medicare. This type of coverage is called Plan 2. Plan 2 has a \$500 deductible. Twelve percent of the 13,645 HIRSP policies in effect in March 2002, were of the Plan 2 type. The rate increases for Plan 2 contained in this rulemaking order increase an average of 30.8%. Rate increases for specific policyholders range from 23.3% to 33.5%, depending on a policyholder's age, gender, household income and zone of residence within Wisconsin. These rate increases reflect general and industry-wide cost increases and adjust premiums to a level in accordance with the authority and requirements set out in s. 149.14(5m), Stats.

The Department through this rulemaking order proposes to amend 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 2001. 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, 2002. The total annual contribution to the HIRSP budget provided by an adjustment to the provider payment rates is \$24,750,178. The total annual contribution to the HIRSP budget provided by an assessment on insurers is \$26,003,305. On April 17, 2002, the HIRSP Board of Governors approved the calendar year 2001 reconciliation process. The Board also approved the HIRSP budget for the plan year July 1, 2002 through June 30, 2003.

These proposed rules are substantially similar to the emergency rules issued by the Department that became effective July 1, 2002. These proposed permanent rules were clarified and modified in accordance with recommendations made by the Legislative Council Rules Clearinghouse.

The department's authority to amend these rules is found in ss. 149.143 (2) (a) 2., 3., and 4., and (3) and 227.11(2) Stats. The rule interprets ss. 149.14 (8), 149.142, 149.143, 149.16 (3) (b), and 149.17 (4), Stats.

### 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, 2001~~ July 1, 2002, 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	\$1,7162,088	\$1,5361,872	\$1,3681,680
19-24	1,7162,088	1,5361,872	1,3681,680
25-29	1,7642,184	1,5841,968	1,4041,752
30-34	1,9682,472	1,7882,220	1,5841,980
35-39	2,2922,868	2,0762,580	1,8362,292
40-44	2,7363,408	2,4483,060	2,1842,724
45-49	3,4924,308	3,1323,876	2,7963,444
50-54	4,6445,712	4,1765,136	3,7324,572
55-59	6,0487,560	5,4366,804	4,8486,048
60+	7,5489,612	6,7928,664	6,0367,692

#### MAJOR MEDICAL PLAN – Females

Age Group	Zone 1	Zone 2	Zone 3
0-18	\$1,7162,088	\$1,5361,872	\$1,3681,680
19-24	2,2322,688	2,0162,412	1,7882,148
25-29	2,4482,952	2,1962,664	1,9442,364
30-34	2,6883,276	2,4122,940	2,1482,616
35-39	3,0603,744	2,7603,384	2,4483,012
40-44	3,4564,236	3,1203,804	2,7603,384
45-49	3,9844,932	3,5884,452	3,1923,948
50-54	4,6805,856	4,2125,280	3,7444,680
55-59	5,4246,864	4,8846,180	4,3445,496

60+	<u>6,3608,016</u>	<u>5,7247,224</u>	<u>5,0766,408</u>
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MEDICARE PLAN – Males

Age Group	Zone 1	Zone 2	Zone 3
0-18	<u>\$1,2121,536</u>	<u>\$1,0801,368</u>	<u>\$9601,224</u>
19-24	<u>1,2121,536</u>	<u>1,0801,368</u>	<u>9601,224</u>
25-29	<u>1,2481,608</u>	<u>1,1161,440</u>	<u>9961,284</u>
30-34	<u>1,3681,800</u>	<u>1,2481,620</u>	<u>1,1161,440</u>
35-39	<u>1,6082,088</u>	<u>1,4641,896</u>	<u>1,2961,680</u>
40-44	<u>1,9322,484</u>	<u>1,7162,232</u>	<u>1,5361,980</u>
45-49	<u>2,4483,156</u>	<u>2,1962,832</u>	<u>1,9682,520</u>
50-54	<u>3,2644,176</u>	<u>2,9403,744</u>	<u>2,6163,348</u>
55-59	<u>4,2485,532</u>	<u>3,8164,992</u>	<u>3,4084,428</u>
60+	<u>5,2927,044</u>	<u>4,7526,336</u>	<u>4,2365,616</u>

MEDICARE PLAN – Females

Age Group	Zone 1	Zone 2	Zone 3
0-18	<u>\$1,2121,536</u>	<u>\$1,0801,368</u>	<u>\$9601,224</u>
19-24	<u>1,5721,968</u>	<u>1,4281,764</u>	<u>1,2481,572</u>
25-29	<u>1,7162,160</u>	<u>1,5481,944</u>	<u>1,3681,728</u>
30-34	<u>1,8722,400</u>	<u>1,6922,148</u>	<u>1,5001,908</u>
35-39	<u>2,1482,736</u>	<u>1,9322,484</u>	<u>1,7162,196</u>
40-44	<u>2,4363,096</u>	<u>2,1842,772</u>	<u>1,9322,484</u>
45-49	<u>2,7963,600</u>	<u>2,5203,264</u>	<u>2,2322,880</u>
50-54	<u>3,2764,284</u>	<u>2,9523,852</u>	<u>2,6283,420</u>
55-59	<u>3,8045,028</u>	<u>3,4204,524</u>	<u>3,0484,020</u>
60+	<u>4,4645,868</u>	<u>4,0205,280</u>	<u>3,5644,680</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, 2001~~ July 1, 2002:

MAJOR MEDICAL PLAN – Males  
(Base for Reduced Rates)

Age Group	Zone 1	Zone 2	Zone 3
0-18	<u>\$1,1401,392</u>	<u>\$1,0201,248</u>	<u>\$9121,116</u>
19-24	<u>1,1401,392</u>	<u>1,0201,248</u>	<u>9121,116</u>
25-29	<u>1,1761,452</u>	<u>1,0561,308</u>	<u>9361,164</u>
30-34	<u>1,3081,644</u>	<u>1,1881,476</u>	<u>1,0561,320</u>
35-39	<u>1,5241,908</u>	<u>1,3801,716</u>	<u>1,2241,524</u>
40-44	<u>1,8242,268</u>	<u>1,6322,040</u>	<u>1,4521,812</u>
45-49	<u>2,3282,868</u>	<u>2,0882,580</u>	<u>1,8602,292</u>
50-54	<u>3,0963,804</u>	<u>2,7843,420</u>	<u>2,4843,048</u>
55-59	<u>4,0325,040</u>	<u>3,6244,536</u>	<u>3,2284,032</u>
60+	<u>5,0286,408</u>	<u>4,5245,772</u>	<u>4,0205,124</u>

MAJOR MEDICAL PLAN – Females  
(Base for Reduced Rates)

Age Group	Zone 1	Zone 2	Zone 3
0-18	<u>\$1,140,139</u>	<u>\$1,020,248</u>	<u>\$912,116</u>
19-24	<u>1,488,178</u>	<u>1,344,608</u>	<u>1,188,428</u>
25-29	<u>1,632,968</u>	<u>1,464,776</u>	<u>1,296,572</u>
30-34	<u>1,788,184</u>	<u>1,608,956</u>	<u>1,428,740</u>
35-39	<u>2,040,496</u>	<u>1,836,256</u>	<u>1,632,004</u>
40-44	<u>2,304,820</u>	<u>2,076,532</u>	<u>1,836,256</u>
45-49	<u>2,652,288</u>	<u>2,388,964</u>	<u>2,124,628</u>
50-54	<u>3,120,900</u>	<u>2,808,516</u>	<u>2,496,120</u>
55-59	<u>3,612,572</u>	<u>3,252,116</u>	<u>2,892,660</u>
60+	<u>4,236,340</u>	<u>3,816,812</u>	<u>3,384,272</u>

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, 2001~~ July 1, 2002:

MEDICARE PLAN – Males  
(Base for Reduced Rates)

Age Group	Zone 1	Zone 2	Zone 3
0-18	<u>\$804,020</u>	<u>\$720,912</u>	<u>\$636,816</u>
19-24	<u>804,020</u>	<u>720,912</u>	<u>636,816</u>
25-29	<u>828,068</u>	<u>744,960</u>	<u>660,852</u>
30-34	<u>912,200</u>	<u>828,080</u>	<u>744,960</u>
35-39	<u>1,068,392</u>	<u>972,260</u>	<u>864,116</u>
40-44	<u>1,284,656</u>	<u>1,140,488</u>	<u>1,020,320</u>
45-49	<u>1,632,100</u>	<u>1,464,884</u>	<u>1,308,680</u>
50-54	<u>2,172,784</u>	<u>1,956,496</u>	<u>1,740,232</u>
55-59	<u>2,832,684</u>	<u>2,544,324</u>	<u>2,268,952</u>
60+	<u>3,528,692</u>	<u>3,168,224</u>	<u>2,820,744</u>

MEDICARE PLAN – Females  
(Base for Reduced Rates)

Age Group	Zone 1	Zone 2	Zone 3
0-18	<u>\$804,020</u>	<u>\$720,912</u>	<u>\$636,816</u>
19-24	<u>1,044,308</u>	<u>948,176</u>	<u>828,044</u>
25-29	<u>1,140,440</u>	<u>1,032,296</u>	<u>912,152</u>
30-34	<u>1,248,596</u>	<u>1,128,428</u>	<u>996,272</u>
35-39	<u>1,428,824</u>	<u>1,284,656</u>	<u>1,140,464</u>
40-44	<u>1,620,064</u>	<u>1,452,848</u>	<u>1,284,656</u>
45-49	<u>1,860,400</u>	<u>1,680,172</u>	<u>1,488,920</u>
50-54	<u>2,184,856</u>	<u>1,968,568</u>	<u>1,752,280</u>
55-59	<u>2,532,348</u>	<u>2,280,012</u>	<u>2,028,676</u>
60+	<u>2,976,912</u>	<u>2,676,516</u>	<u>2,376,120</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 ~~two~~ 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, 2001~~ July 1, 2002:

ALTERNATIVE MAJOR MEDICAL PLAN Males			
Age Group	Zone 1	Zone 2	Zone 3
0-18	\$1,2361,500	\$1,1041,344	\$9841,212
19-24	1,2361,500	1,1041,344	9841,212
25-29	1,2721,572	1,1401,416	1,0081,260
30-34	1,4161,776	1,2841,596	1,1401,428
35-39	1,6562,064	1,5001,860	1,3201,656
40-44	1,9682,448	1,7642,208	1,5721,956
45-49	2,5203,096	2,2562,796	2,0162,484
50-54	3,3484,116	3,0123,696	2,6883,288
55-59	4,3565,448	3,9124,896	3,4924,356
60+	5,4366,924	4,8966,240	4,3445,544

ALTERNATIVE MAJOR MEDICAL PLAN Females			
Age Group	Zone 1	Zone 2	Zone 3
0-18	\$1,2361,500	\$1,1041,344	\$9841,212
19-24	1,6081,932	1,4521,740	1,2841,548
25-29	1,7642,124	1,5841,920	1,4041,704
30-34	1,9322,364	1,7402,112	1,5481,884
35-39	2,2082,700	1,9922,436	1,7642,172
40-44	2,4843,048	2,2442,736	1,9922,436
45-49	2,8683,552	2,5803,204	2,3042,844
50-54	3,3724,212	3,0363,804	2,7003,372
55-59	3,9004,944	3,5164,452	3,1323,960
60+	4,5845,772	4,1165,196	3,6604,608

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

(2) INSURER ASSESSMENTS. The insurer assessments for the time period ~~July 1, 2001 through June 30, 2002 total \$19,617,772.~~ July 1, 2002 through June 30, 2003 total \$26,003,305.

(3) PROVIDER PAYMENT RATES. The total adjustment to the provider payment rates for the time period ~~July 1, 2001 through June 30, 2002 is \$19,982,024.~~ July 1, 2002 through June 30, 2003 is \$24,750,178. 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 59.93% of charges. Payment rates for

other professional services including physicians, labs, and therapies are set under s. 49.46 (2) (b), Stats., including a 37.2% 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: October 9, 2002

By: \_\_\_\_\_  
Phyllis J. Dubé  
Secretary

SEAL: