



2009 Annual Report

**HEALTH INSURANCE RISK-SHARING PLAN AUTHORITY
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Executive Summary

The Health Insurance Risk-Sharing Plan (HIRSP) continues to serve as an important safety net for individuals who have been denied health insurance coverage because of their health status, or more recently, who have lost their employer-sponsored insurance. This year marked the third full year of administration of HIRSP under the HIRSP Authority. In 2009, the HIRSP Authority Board of Directors focused on improving affordability, plan choice, benefit design and its administrative contracts. This was accomplished by conducting a comprehensive review of existing HIRSP plan designs and benefits through the HIRSP Strategic Planning Committee and a competitive procurement for third party administrator services. These efforts resulting in the creation of a \$2,500 deductible HSA plan, expanded routine and preventive care, including first dollar routine/preventive care up to \$150 and a \$500 smoking cessation benefit, as well as enhanced plan administrator services to begin in 2010.

The HIRSP Authority implemented several plan changes in 2009 directed toward improving access to quality, affordable healthcare for HIRSP members and improving the cost-effectiveness of HIRSP. These changes included:

- Refunding nearly \$12 million in surplus member premiums to HIRSP members in early 2009.
 - Updating eligibility requirements to allow applicants with limited benefit, group-sponsored health insurance to enroll in HIRSP.
 - Waiving the six-month pre-existing condition waiting period for applicants coming to HIRSP from other state high-risk pools or the Farmer's Cooperative Health Insurance Plan, depending on the lengths of their previous coverage and other eligibility factors.
 - Indexing the income limit for the low-income subsidy program, which improved affordability and increased the number of members benefitting from subsidy.
 - Improving pharmacy clinical programming that increased generic utilization to 70% and helped ensure that members needing specialty medications were receiving high-touch clinical support.
 - Providing expanded routine and preventive services, including \$150 first dollar coverage and a \$500 smoking cessation benefit, effective January 1, 2010.
 - Increasing the HIRSP lifetime maximum benefit to \$2 million
 - Experiencing lower fees for HIRSP plan administrator services.
 - Improving customer service through Consumer Advisory Council feedback.
-

The 2009 initiatives were implemented based on feedback from the HIRSP Consumer Committee and Consumer Advisory Council, the HIRSP Strategic Planning Committee and the HIRSP Board of Directors. Below are key facts and figures for 2009 and considerations for the future.

Key Facts and Figures

Enrollment

- Total HIRSP Members as of December 2009: 16,381
- December 2009 enrollment represents a less than 1% increase over December 2008, in part as a result of losing approximately 500 members to the BadgerCare Core Plan. The Core Plan, which does not charge premiums, helped some HIRSP members access more affordable coverage. In early 2010, HIRSP has seen significant membership growth, approaching 17,000 members by April.

Total Operating Revenue

- Premiums: \$83,601,411
 - Insurer Assessments: \$27,514,892
 - Provider Contributions: \$25,918,887
- *\$137,035,190**

Total Operating Expenses

- Medical Losses \$108,493,439
 - Pharmacy Losses \$32,638,722
 - Administration \$6,630,364
 - Referral Fees \$66,035
- *\$147,828,560**

Benefit Plans

- Largest enrollment at year-end was in the \$2,500 deductible plan.
- The fastest growing plan in 2009 was the \$5,000 deductible plan, with a 56% increase in enrollment over the end of 2008.
- 94% of total enrollment was in the non-Medicare plans; 6% in the Medicare Supplement plan.
- 62% of new enrollees were eligible due to loss of employer-sponsored coverage and were not subject to a pre-existing condition waiting period.
- 27% of members were subsidized in 2009, up from 19% in 2008 due to the expansion of the subsidy program. 2009 subsidy enrollment represents a 48% increase over 2008.

* It was the HIRSP Authority's intention to have total operating expenses for 2009 exceed total operating revenue in order to spend down reserves.

Top Diagnosis and Disease Categories

- Top diagnoses by medical claim costs were diseases and disorders of the musculoskeletal system and connective tissue, representing 18% of all medical claims. Disorders of the circulatory system represented the next highest cost at 14% of total claims.
- The top two therapeutic classes for pharmacy claim costs were antiviral (\$4.9 million) and anti-diabetic drugs (\$4.5 million), based on total ingredient costs.
- These two classes of drugs represented almost 26% of paid pharmacy claims.

Medical Utilization

- Similar to recent years, 74% of members did not meet their medical deductible in 2009. However, HIRSP paid out claims for 83% of members.
- Just over 3% of HIRSP members accounted for 33% of paid claims in 2009.
- 441 individual members each had over \$50,000 in paid medical claims.
- The largest individual paid claim was \$234,707 for an acute heart attack.
- Average per member per month (PMPM) medical claims expense decreased by \$36 from \$600 in 2008 to \$564 in 2009.

Prescription Drug Utilization

- Prescription drug spending through the pharmacy benefit represented 30% of all claim costs.
- Physician administered drugs paid through the medical benefit represented another 6% of paid claims in 2009.
- Average pharmacy claims PMPM decreased by \$3 to \$180 PMPM.
- Generic utilization increased to 70%, up from 66% in the previous year.

Future Considerations

In 2010, the HIRSP Authority will be evaluating the HIRSP diabetes chronic condition management program, as well as considering alternative care and disease management programs. The Authority will also be investigating the use of a health risk assessment (HRA) in order to develop a health risk profile for HIRSP membership. Profiling the HIRSP population will be an area of focus in 2010.

The Authority will also be carefully reviewing its position in upcoming federal healthcare reform in 2010.

Financial Reports

Financial Summary

The HIRSP Authority financial condition remained stable in 2009. Total retained equity decreased to \$27.5 million as of December 31, 2009. Member fund equity increased by \$3.6 million and equaled \$19.5 million. Provider fund equity decreased by \$6.6 million and equaled \$3 million; and insurer fund equity decreased by \$5.0 million and equaled \$5 million, as of December 31, 2009. The retained earnings in excess of the RBC target reserve will be applied through the 2010 budget to reduce premiums, reduce assessments and support an expansion of benefits.

Total assets decreased \$22.2 million or 30.1% during 2009 to \$51.6 million as of December 31, 2009. Cash assets decreased \$22.8 million compared to December 2008, a 32.0% decrease. This is due to the distribution to members of \$11.9 million as well as a planned decrease in assessment and premium revenue during 2009. Drug rebate receivables increased by \$1.1 million due to the payment cycle for rebates being different with the new pharmacy benefit manager.

Total liabilities as of December 31, 2009 decreased by \$14.2 million compared to December 31, 2008, decreasing by 37.1% from the prior year. Year-to-date aggregate liabilities for unpaid medical and drug claims were \$10.5 million, decreased by \$1.7 million or 14.1% compared to 2008 year-to-date aggregate claim liabilities. Year to date changes in liabilities included a \$499 thousand decrease in unearned premium as well as a \$12.0 million decrease in accounts payable and other accrued liabilities. This is due in part to the accrual of the \$11.9 million member distribution as of December 31, 2008. There was not an accrual for a member distribution recorded as of December 31, 2009.

For the twelve months ended December 31, 2009, the total net loss was \$8.0 million compared to a \$343 thousand net income for calendar year 2008. The net loss of \$8 million for 2009 was below the budgeted net loss for the year by \$10.3 million. Year-to-date 2009 changes in income and expense include decreases in premium revenues, provider contribution, assessment revenue, total medical losses, total pharmacy losses, and increases in administrative expenses and non-operating revenues.

December 2009 year-to-date total operating revenue of \$137.0 million decreased from 2008 by \$31.4 million or 18.6%. Net premium revenue of \$83.6 million year-to-date through December 2009 decreased by \$5.6 million or 6.3% compared to 2008 year-to-date, primarily due to increased HIRSP membership offset by enrollment changes in the HIRSP benefit plans and the new rates offered for 2009.

Incurred medical loss expense for the twelve months ended December 31, 2009 was \$108.5 million, decreased by 8.1% from incurred medical losses in the twelve months ended December 31, 2008. Paid and approved medical losses decreased to \$110.6 million, a decrease of \$12.3 million or 10% compared to December 2008.

Estimated liabilities for unpaid medical losses decreased by \$1.8 million from December 2008 through December 2009. Estimated loss reserves were reduced in 2009 to correct for prior overstatement of estimated medical losses and to adjust for changes in expected loss experience. The decrease in loss reserve liability flows through revenues and expenses in the income statement, and results in decreased incurred medical loss expense, decreased total operating expense, and increased reported net income. The 2009 year-to-date change in loss reserves resulted in a \$2.7 million decrease in incurred medical loss expense through December 2009. Absent the 2009 change in loss reserve liabilities, the year-to-date reported net loss of \$8.0 million would have been \$1.8 million more, and would otherwise have been a loss of \$9.8 million as of December 2009.

Incurred pharmacy loss expense year-to-date in 2009 was \$32.6 million, reflecting a 2009 decrease of \$243 thousand or 0.7% compared to December 2008 year-to-date total pharmacy loss expense. Aggregate incurred medical and pharmacy loss expense for the twelve months of 2009 was \$141 million, decreased by \$9.9 million or 6.5% compared to aggregate medical and pharmacy loss expense of \$151 million for the twelve months of 2008.

Total administrative expenses of \$6.7 million for the twelve months of 2009 increased by 2.6% compared to the same period in 2008.

Investment income for the twelve months ended December 31, 2009 was \$256 thousand, decreased by \$1.1 million or 80.9% compared to the same period in 2008. The decreased investment income is due to decreased interest rate yields and lower cash deposits in 2009. Year-to-date 2008 total non-operating revenues are comprised of interest income, member distributions, and federal grant income. Non-operating revenue increased \$13.4 million compared to year-to-date 2008. The increase in non-operating revenue is attributable to accrual of the distribution of member surplus in 2008 as well as federal grant dollars of \$2.6 million received in 2009.

In 2009, the HIRSP Authority received an unqualified audit opinion from the Legislative Audit Bureau on its financial statements for the period of January 1, 2008 through December 31, 2008.

Funding Sources

In addition to the detailed financial data presented in the report, the following table provides a high level overview of total HIRSP costs, average per member per month costs and average HIRSP premium over the last four years.

	2006	2007	2008	2009
Average Number of HIRSP Members	18,545	17,582	16,374	16,458
*Total plan Costs	\$167,960,404	\$171,086,040	\$154,855,774	\$145,706,632
**Avg Annual Cost	\$ 9,111	\$ 9,778	\$ 9,459	\$ 8,887
Premium (Includes Subsidies Paid By Insurers and Providers)	\$110,441,508	\$105,667,247	\$ 96,105,543	\$91,013,992
**Average Annual Premium	\$ 5,991	\$ 6,039	\$ 5,871	\$ 5,551
Average Member Premium as percent of Avg Member Costs	65.8%	61.8%	62.1%	62.5%

*Total plan costs equal total operating expenses (excluding deductible and drug coinsurance out-of-pocket maximum subsidy costs) less non-operating income (with the exclusion of the federal grant funds for the subsidy program).

** Average annual cost and average annual premium revenue is calculated using the member months for each year.

Claims to Premium Loss Ratios

The target loss ratio for HIRSP is 166.7%, which represents the statutory HIRSP funding formula of member premium funding totaling 60% of plan incurred losses. The loss ratio for 2008 was just over 161% and remained under 162% in 2009, which resulted in an increase in retained equity for members. This equity was applied to reduce premiums in 2010 and to support the cost of expanded benefits.

As the table also illustrates, HIRSP premium rates for HIRSP 1,000 are currently too low to adequately fund the plan's incurred claims. HIRSP 2,500 is approaching the goal of 166.7%, while the remaining plans are too high relative to the plan's incurred claims. In effect, the premiums paid by the HIRSP 5,000, HSA and Medicare Supplement participants continued to subsidize the adverse loss experience of the HIRSP 1,000 participants.

For 2009, premium rates were adjusted, similar to 2008, with the hope of achieving better equity between the HIRSP plans. The goal is to have loss ratios for each benefit plan that more closely match a 60% member funding of incurred claims for the respective HIRSP plans.

Calendar Year 2009 Claims to Premium Loss Ratio					
Plan	Total Dollars			Per Member Per Month	
	Incurred Claims	Earned Premium	Loss Ratio	Incurred Claims	Earned Premium
\$1,000	\$37,747,843	\$20,294,044	186.0%	\$1,275.87	\$685.93
\$2,500	84,014,603	48,784,306	172.2%	788.28	457.72
\$3,500 HSA	3,923,057	3,009,852	130.3%	528.93	405.80
\$5,000	16,171,411	15,299,930	105.7%	386.42	365.60
Medicare Supplement	5,384,144	3,625,860	148.5%	475.42	320.16
Total	\$147,241,058	\$91,013,992	161.8%	\$748.34	\$462.57

Note: Loss ratio = incurred claims ÷ earned premiums. Earned premiums include premium subsidies. Incurred claims include provider contributions. Administrative expenses are not included in this exhibit. Incurred claims and earned premiums are updated quarterly and restated to reflect the most current information available as of March 31, 2010.

Health Insurance Risk-Sharing Plan Authority
December 31, 2009
Calendar Year 2009

Unaudited Balance Sheet

Assets	01/31/2009	02/29/2009	03/31/2009	04/30/2009	05/31/2009	06/30/2009	07/31/2009	08/31/2009	09/30/2009	10/31/2009	11/30/2009	12/31/2009
Cash and Cash Equivalents	66,915,789	67,365,841	58,443,349	59,521,157	54,351,851	54,261,749	51,321,836	50,948,346	51,569,799	53,373,441	48,063,859	48,483,979
Other Receivables	3,593,057	3,234,558	3,256,561	1,646,301	1,486,877	1,459,439	775,313	914,613	1,144,609	833,912	860,336	589,375
Drug Rebates Receivable	1,199,514	1,045,073	1,028,247	484,994	1,527,800	1,844,375	1,808,079	2,122,712	2,440,599	2,768,328	3,081,991	2,497,421
Assessments Receivable	12,484,981	7,286,497	5,392,367	1,518,420	36,342	53,686	15,121,536	8,408,622	7,484,309	2,385,223	35,982	5,577
Prepaid Items	19,164	15,445	19,743	14,864	14,574	18,629	18,869	20,010	19,980	16,169	15,879	6,512
Net Fixed Assets	23,269	23,902	23,432	22,962	22,492	22,021	21,551	21,081	20,610	20,141	19,670	19,200
Total Assets	84,235,774	78,971,316	68,163,699	63,208,698	57,439,936	57,659,899	69,067,184	62,435,384	62,679,906	59,397,214	52,077,717	51,602,064
Liabilities and Fund Equity												
Liabilities:												
Unpaid Medical Loss Liabilities	8,634,305	8,066,412	9,165,224	9,822,159	10,223,937	9,637,818	9,496,542	9,621,476	9,113,927	8,705,019	8,207,888	9,992,106
Unpaid Prescription Drug Loss Liabilities	720,281	412,296	396,044	533,470	793,960	546,417	537,917	541,555	491,298	531,453	684,782	473,955
Unpaid Loss Adjustment Expense	780,000	780,000	780,000	780,000	780,000	780,000	780,000	780,000	780,000	780,000	780,000	780,000
Unearned Premiums	10,867,632	6,839,291	11,490,944	10,743,062	6,935,213	10,899,748	10,668,327	7,003,080	10,662,712	10,539,530	6,861,336	10,721,112
Unearned Assessments	10,598,285	8,716,737	6,559,981	4,426,799	2,205,148	-	12,815,126	10,567,449	8,266,865	5,653,589	3,108,129	-
Unearned Federal Grant	1,982,966	1,387,325	785,949	123,733	251,442	224,086	196,614	169,331	142,167	115,237	88,644	-
Accounts Payable and Other Accrued Liabilities	13,911,929	13,800,407	2,155,819	2,172,287	1,990,287	1,838,129	2,088,919	1,989,204	2,048,260	2,163,587	1,751,281	2,167,387
Total Liabilities	47,495,398	40,002,468	31,333,961	28,601,510	23,179,987	23,926,198	36,583,445	30,672,095	31,505,229	28,488,415	21,482,060	24,134,560
Fund Equity:												
Policyholder	17,153,474	19,379,608	18,233,586	17,217,614	17,967,221	18,651,709	18,832,986	19,395,656	20,015,061	20,636,408	21,217,131	19,460,473
Providers	9,872,183	9,842,693	9,716,236	9,308,638	8,753,918	8,067,629	7,233,237	6,450,556	5,677,425	4,839,259	4,064,747	3,029,338
Insurers	9,714,719	9,746,547	8,879,916	8,080,936	7,538,810	7,014,363	6,417,516	5,917,077	5,482,191	5,433,132	5,313,779	4,977,693
Total Retained Earnings	36,740,376	38,968,848	36,829,738	34,607,188	34,259,949	33,733,701	32,483,739	31,763,289	31,174,677	30,908,799	30,595,657	27,467,504
Total Liabilities and Fund Equity	84,235,774	78,971,316	68,163,699	63,208,698	57,439,936	57,659,899	69,067,184	62,435,384	62,679,906	59,397,214	52,077,717	51,602,064

**Health Insurance Risk-Sharing Plan Authority
for the Period Ended December 31, 2009
Calendar Year 2009**

Unaudited Statement of Revenues, Expenses, and Changes in Retained Earnings

Operating Revenues	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year to Date
Gross Premiums	7,442,150	7,601,512	7,681,060	7,534,999	7,660,521	7,713,409	7,563,136	7,632,813	7,675,768	7,432,067	7,532,966	7,543,591	91,013,992
Premium Subsidized	(574,590)	(592,579)	(598,091)	(660,331)	(623,467)	(629,182)	(637,088)	(628,457)	(620,489)	(602,895)	(601,371)	(644,041)	(7,412,581)
Net Premium Revenues	6,867,560	7,008,933	7,082,969	6,874,668	7,037,054	7,084,227	6,926,048	7,004,356	7,055,279	6,829,172	6,931,595	6,899,550	83,601,411
Provider Contribution	2,352,115	1,820,231	2,896,930	2,524,563	2,209,057	2,043,307	2,021,631	1,965,436	1,962,340	1,824,169	1,890,301	2,408,807	25,918,887
Insurer Assessments	1,842,305	1,881,548	2,156,756	2,133,182	2,221,651	2,205,148	2,259,176	2,247,677	2,300,584	2,613,276	2,545,460	3,108,129	27,514,892
Total Operating Revenues	11,061,980	10,710,712	12,136,655	11,532,413	11,467,762	11,332,682	11,206,855	11,217,469	11,318,203	11,266,617	11,367,356	12,416,486	137,035,190
Operating Expenses													
Medical Losses:													
Losses Paid or Approved for Payment	11,322,260	7,005,225	9,915,344	9,837,743	8,709,603	9,609,514	9,145,223	8,586,385	9,170,117	8,654,373	9,228,688	9,377,908	110,562,383
Increase (Decrease) in Unpaid Losses	(4,459,904)	(780,285)	1,475,705	864,526	518,695	(741,441)	(175,324)	154,543	(627,331)	(505,410)	(613,460)	2,201,725	(2,687,961)
Deductible Subsidy Paid	46,339	64,105	84,608	74,856	60,921	59,306	46,377	48,890	39,496	32,685	31,504	29,940	619,017
Total Medical Losses	6,908,695	6,289,045	11,475,657	10,777,125	9,289,219	8,927,379	9,016,276	8,789,808	8,582,282	8,181,648	8,646,732	11,609,573	108,493,439
Pharmacy Losses:													
Losses Paid or Approved for Payment	2,701,745	2,708,078	2,986,532	3,157,129	2,741,938	2,901,926	3,093,549	2,817,380	3,002,740	3,036,686	2,608,123	3,354,214	35,110,040
Increase (Decrease) in Unpaid Losses	361,382	(307,985)	(16,252)	137,426	260,490	(247,543)	(8,500)	3,638	(50,257)	40,155	153,329	(210,827)	115,056
Drug Rebates	(101,235)	(113,173)	(159,122)	(219,200)	(1,211,629)	(316,575)	(322,425)	(315,007)	(317,887)	(327,728)	(317,897)	213,815	(3,508,063)
Subsidy - Coinsurance Out-of-Pocket Max	6,291	27,988	52,768	64,362	81,365	89,933	108,315	105,466	105,740	113,940	79,541	85,980	921,689
Total Pharmacy Losses	2,968,183	2,314,908	2,863,926	3,139,717	1,872,164	2,427,741	2,870,939	2,611,477	2,740,336	2,863,053	2,523,096	3,443,182	32,638,722
Total Losses	9,876,878	8,603,953	14,339,583	13,916,842	11,161,383	11,355,120	11,887,215	11,401,285	11,322,618	11,044,701	11,169,828	15,052,755	141,132,161
Loss Adjustment Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Administrative Expenses	515,084	514,682	574,138	528,843	546,859	539,179	609,714	576,602	622,626	577,214	519,063	572,395	6,696,399
Total Operating Expenses	10,391,962	9,118,635	14,913,721	14,445,685	11,708,242	11,894,299	12,496,929	11,977,887	11,945,244	11,621,915	11,688,891	15,625,150	147,828,560
Net Operating Income (Loss)	670,018	1,592,077	(2,777,066)	(2,913,272)	(240,480)	(561,617)	(1,290,074)	(760,418)	(627,041)	(355,298)	(321,535)	(3,208,664)	(10,793,370)
Non-Operating Revenues (Expenses)													
Federal Grant - Disease Management	26,900	26,826	27,062	27,243	27,222	27,356	27,472	27,283	27,163	26,930	26,593	27,467	325,517
Federal Grant - Low Income Subsidy	551,303	568,815	574,313	634,974	(154,931)	-	-	-	-	-	-	61,178	2,235,652
Investment Income	49,580	40,754	35,231	29,855	21,560	15,778	14,100	12,685	9,806	10,485	8,230	7,641	255,705
Miscellaneous Income	-	-	-	-	-	-	-	-	-	-	-	-	-
Distribution to Policyholders	-	-	1,350	(1,350)	(610)	(7,765)	(1,460)	-	1,460	52,005	(26,430)	(15,775)	1,425
Total Non-operating Revenues (Expenses)	627,783	636,395	637,956	690,722	(106,759)	35,369	40,112	39,968	38,429	89,420	8,393	80,511	2,818,299
Net Income (Loss)	1,297,801	2,228,472	(2,139,110)	(2,222,550)	(347,239)	(526,248)	(1,249,962)	(720,450)	(588,612)	(265,878)	(313,142)	(3,128,153)	(7,975,071)
Additions to Retained Earnings													
Policyholder													
Retained Earnings, Beginning of Period	15,869,036	17,153,474	19,379,608	18,233,586	17,217,614	17,967,221	18,651,709	18,832,986	19,395,656	20,015,061	20,636,408	21,217,131	15,869,036
Current Earnings	1,284,438	2,226,134	(1,146,022)	(1,015,972)	749,607	684,488	181,277	562,670	619,405	621,347	580,723	(1,756,658)	3,591,437
Retained Earnings, End of Period	17,153,474	19,379,608	18,233,586	17,217,614	17,967,221	18,651,709	18,832,986	19,395,656	20,015,061	20,636,408	21,217,131	19,460,473	19,460,473
RBC Target Reserves	(9,495,391)	(9,495,391)	(9,495,391)	(9,495,391)	(9,495,391)	(9,495,391)	(9,495,391)	(9,495,391)	(9,495,391)	(9,495,391)	(9,495,391)	(9,495,391)	(9,495,391)
Retained Earnings in Excess of RBC	7,658,083	9,884,217	8,738,195	7,722,223	8,471,830	9,156,318	9,337,595	9,900,265	10,519,670	11,141,017	11,721,740	9,965,082	9,965,082
Providers													
Retained Earnings, Beginning of Period	9,610,597	9,872,183	9,842,693	9,716,236	9,308,638	8,753,918	8,067,629	7,233,237	6,450,556	5,677,425	4,839,259	4,064,747	9,610,597
Current Earnings	261,586	(29,490)	(126,457)	(407,598)	(554,720)	(686,289)	(834,392)	(782,681)	(773,131)	(838,166)	(774,512)	(1,035,409)	(6,581,259)
Retained Earnings, End of Period	9,872,183	9,842,693	9,716,236	9,308,638	8,753,918	8,067,629	7,233,237	6,450,556	5,677,425	4,839,259	4,064,747	3,029,338	3,029,338
RBC Target Reserves	(3,165,130)	(3,165,130)	(3,165,130)	(3,165,130)	(3,165,130)	(3,165,130)	(3,165,130)	(3,165,130)	(3,165,130)	(3,165,130)	(3,165,130)	(3,165,130)	(3,165,130)
Retained Earnings in Excess of RBC	6,707,053	6,677,563	6,551,106	6,143,508	5,588,788	4,902,499	4,068,107	3,285,426	2,512,295	1,674,129	899,617	(135,792)	(135,792)
Insurers													
Retained Earnings, Beginning of Period	9,962,942	9,714,719	9,746,547	8,879,916	8,080,936	7,538,810	7,014,363	6,417,516	5,917,077	5,482,191	5,433,132	5,313,779	9,962,942
Current Earnings	(248,223)	31,828	(866,631)	(798,980)	(542,126)	(524,447)	(596,847)	(500,439)	(434,886)	(49,059)	(119,353)	(336,086)	(4,985,249)
Retained Earnings, End of Period	9,714,719	9,746,547	8,879,916	8,080,936	7,538,810	7,014,363	6,417,516	5,917,077	5,482,191	5,433,132	5,313,779	4,977,693	4,977,693
RBC Target Reserves	(3,165,130)	(3,165,130)	(3,165,130)	(3,165,130)	(3,165,130)	(3,165,130)	(3,165,130)	(3,165,130)	(3,165,130)	(3,165,130)	(3,165,130)	(3,165,130)	(3,165,130)
Retained Earnings in Excess of RBC	6,549,589	6,581,417	5,714,786	4,915,806	4,373,680	3,849,233	3,252,386	2,751,947	2,317,061	2,268,002	2,148,649	1,812,563	1,812,563
Retained Earnings, End of Period	36,740,376	38,968,848	36,829,738	34,607,188	34,259,949	33,733,701	32,483,739	31,763,289	31,174,677	30,908,799	30,595,657	27,467,504	27,467,504
RBC Target Reserves	(15,825,651)	(15,825,651)	(15,825,651)	(15,825,651)	(15,825,651)	(15,825,651)	(15,825,651)	(15,825,651)	(15,825,651)	(15,825,651)	(15,825,651)	(15,825,651)	(15,825,651)
Retained Earnings in Excess of RBC	20,914,725	23,143,197	21,004,087	18,781,537	18,434,298	17,908,050	16,658,088	15,937,638	15,349,026	15,083,148	14,770,006	11,641,853	11,641,853

Health Insurance Risk-Sharing Plan Authority
Comparison of Current Fiscal Year-to-Date Vs. Prior Fiscal Year-to-Date
Unaudited Statement of Revenues, Expenses, and Changes in Retained Earnings
Calendar Year 2009

Operating Revenues	Year-to-Date Through December 2009	Year-to-Date Through December 2008	Variance
Gross Premiums	91,013,992	96,105,543	(5,091,551)
Premium Subsidized	(7,412,581)	(6,914,095)	(498,486)
Net Premium Revenues	83,601,411	89,191,448	(5,590,037)
Provider Contribution	25,918,887	39,942,538	(14,023,651)
Insurer Assessments	27,514,892	39,291,498	(11,776,606)
Total Operating Revenues	137,035,190	168,425,484	(31,390,294)
Operating Expenses			
Medical Losses:			
Losses Paid or Approved for Payment	110,562,383	122,835,900	(12,273,517)
Increase (Decrease) in Unpaid Losses	(2,687,961)	(5,349,426)	2,661,465
Deductible Subsidy Paid	619,017	622,125	(3,108)
Total Medical Losses	108,493,439	118,108,599	(9,615,160)
Pharmacy Losses:			
Losses Paid or Approved for Payment	35,110,040	35,713,753	(603,713)
Increase (Decrease) in Unpaid Losses	115,056	(482,256)	597,312
Drug Rebates	(3,508,063)	(3,061,462)	(446,601)
Subsidy - Coinsurance Out-of-Pocket Max	921,689	712,098	209,591
Total Pharmacy Losses	32,638,722	32,882,133	(243,411)
Total Losses	141,132,161	150,990,732	(9,858,571)
Loss Adjustment Expenses	-	10,000	10,000
Total Administrative Expenses	6,696,399	6,529,839	166,560
Total Operating Expenses	147,828,560	157,530,571	(9,682,011)
Net Operating Income (Loss)	(10,793,370)	10,894,913	(21,708,283)
Non-Operating Revenues (Expenses)			
Federal Grant - Disease Management	325,517	-	325,517
Federal Grant - Low Income Subsidy	2,235,652	-	2,235,652
Investment Income	255,705	1,340,574	(1,084,869)
Miscellaneous Income	-	-	-
Distribution to Members	1,425	(11,892,065)	11,893,490
Total Non-operating Revenues (Expenses)	2,818,299	(10,551,491)	13,369,790
Net Income (Loss)	(7,975,071)	343,422	(8,338,493)

Member Activity Reports

Applications to HIRSP

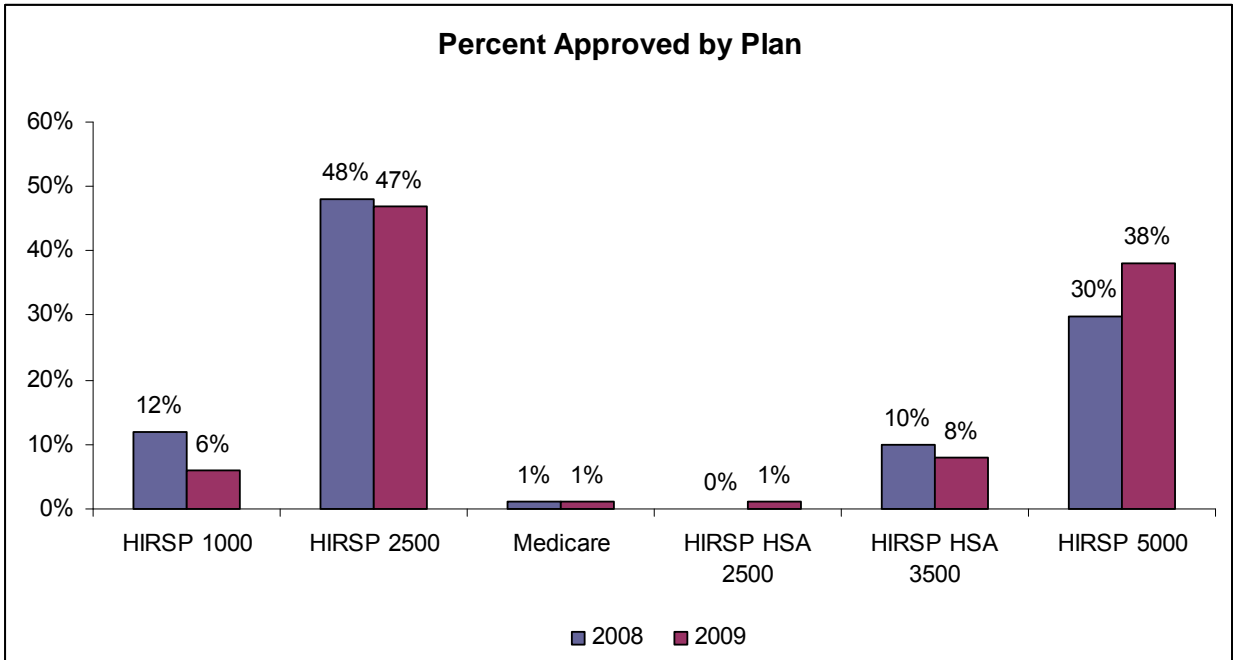
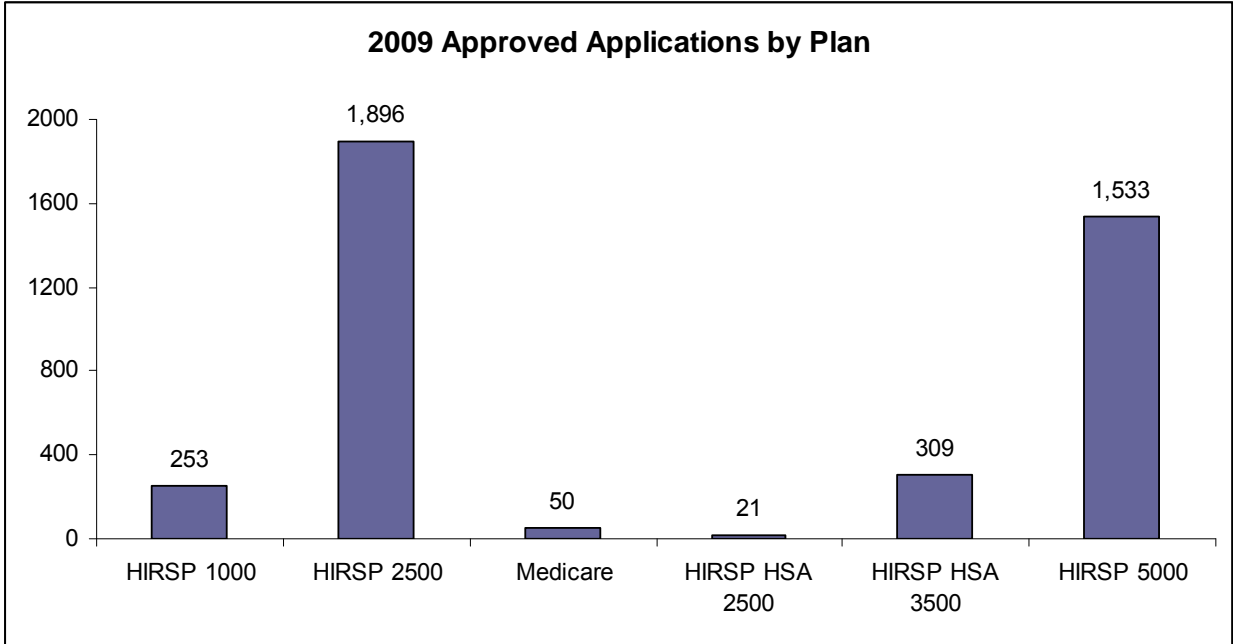
In 2009, HIRSP received an average of 430 applications per month. The average number of applications received per month is a 4.1% increase over 2008. Average HIRSP applications per month grew in 2008 and 2009 over 2007; however, applications were down in 2007 compared to the previous two years. Applications in late 2009 rose significantly. HIRSP received 593 applications in December 2009. The following is the average number of applications received per month from 2006 through 2009:

**Member Applications
By Year**

Year	Applications	
	Average	Total
2009	430	5,155
2008	413	4,961
2007	389	4,667
2006	439	5,262
Total	418	20,045

Almost 47% of new applications in 2009 were for the HIRSP 2,500 plan. However, HIRSP 2,500 showed only minimal growth (6%) in 2009 as a result of members moving to higher deductible options. Correspondingly, the HIRSP 5,000 plan, accounted for nearly 38% of all new HIRSP applications, up from 30% in 2008. Together these two plans accounted for over 84% of all new applications.

HIRSP is the federal Health Insurance Portability Accountability Act (HIPAA) qualifying plan for the state of Wisconsin. In 2009, qualifying as a HIPAA eligible was the most frequent reason for approval at 62%, up from 60% in 2008 and 57% in 2007. Providing evidence of medical uninsurability accounted for another 36% of applications. Individuals with HIV/AIDS and individuals qualifying for Medicare due to disability comprised the remaining 2% of new enrollment.



In 2009, approval rates of HIRSP applications continued to be high at 79%. While enrollment in HIRSP 2,500 outpaced all other plans. Disenrollments from this plan resulted in a net loss of 120 members. Comparatively, the HIRSP 5,000 plan grew by 698 individuals over the year. Enrollment in HIRSP 3,500 grew while enrollment in HIRSP Medicare Supplement and HIRSP 1,000 continued to decline.

Approval Rate			
	Applications	Approved	Approval Rate
2009	5,155	4,065	79%
2008	4,961	3,719	75%
2007	4,667	3,702	79%
2006	5,262	4,328	82%

Applications Approved in 2009*							
Date	1,000	2,500	Med Supp	HSA 3,500	5,000	HSA 2,500	Total
January	19	147	4	28	100		298
February	31	172	3	27	149		382
March	19	169	4	33	124		349
April	32	193	2	33	106		366
May	16	153	4	24	123		320
June	28	191	3	24	164		410
July	20	148	4	29	108		309
August	17	131	4	20	96		268
September	21	176	1	26	134		358
October	16	139	3	12	106		276
November	15	100	7	16	106	1	245
December	19	177	11	37	217	20	481
Total	253	1,896	50	309	1,533	21	4,062

* Month application was approved, not effective date.

Disenrollment in 2009							
Date	1,000	2,500	Med Supp	HSA 3,500	5,000	Total	Deceased*
January	124	227	25	4	63	443	11
February	67	153	6	5	39	270	2
March	49	145	4	5	42	245	9
April	77	194	17	14	63	365	13
May	51	125	8	9	61	254	11
June	45	135	8	15	66	269	14
July	74	172	5	13	69	333	9
August	58	158	13	5	72	306	15
September	53	171	7	10	70	311	5
October	88	244	9	14	145	500	8
November	69	166	4	11	85	335	7
December	38	126	7	10	76	257	12
Total	793	2,016	113	115	851	3,888	116

*Deceased members are included in the total disenrollments.

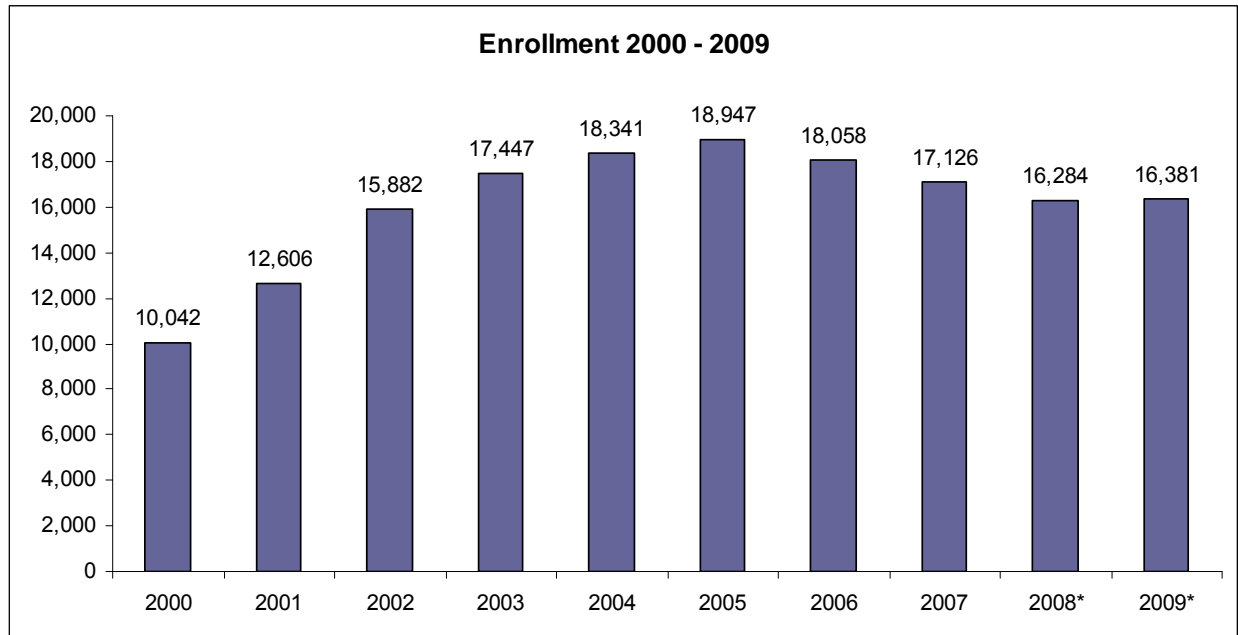
Applicant Activity - Calendar Year 2009

A.	Medicare Eligible	47
B.	HIV +	22
C.	Eligible Individual	2,520
D.	Letter of Medical Eligibility	1,477
	1. <i>Letter of Rejection By:</i>	
	<i>Alliance</i>	2
	<i>American Community Mutual Insurance</i>	52
	<i>American Heritage</i>	8
	<i>American Family</i>	134
	<i>American Medical Security Group</i>	9
	<i>American National Life Insurance Company of Texas</i>	10
	<i>American Republic</i>	70
	<i>Arise</i>	60
	<i>Assurant Health</i>	260
	<i>Atrium Health</i>	4
	<i>Blue Cross & Blue Shield United of Wisconsin</i>	473
	<i>Celtic Life Insurance Company</i>	40
	<i>Central Reserve Life</i>	1
	<i>Compcare Blue</i>	1
	<i>Consumer Life Insurance</i>	9
	<i>Dean Health Plan</i>	59
	<i>Fortis Benefits Ins</i>	1
	<i>Golden Rule Insurance Company</i>	232
	<i>Great West Healthcare</i>	2
	<i>Group Health Cooperative</i>	9
	<i>Health Tradition Premier</i>	1
	<i>Humana Insurance Company</i>	516
	<i>Insurers Administrative Corporation</i>	7
	<i>John Alden Life Insurance</i>	9
	<i>Mega Life And Health Insurance</i>	27
	<i>Mid-West National Life Insurance Company of</i>	11
	<i>Midwest Security Life</i>	3
	<i>Pekin Life Insurance</i>	51
	<i>Physicians Mutual Insurance Company</i>	7
	<i>Physicians Plus Insurance</i>	4
	<i>Security Health Plan</i>	105
	<i>United HealthCare Insurance</i>	7
	<i>Unity Health Plan</i>	21
	<i>Valley Health Plan</i>	1
	<i>WEA</i>	1
	<i>Wisconsin Physicians Service Insurance</i>	616
	<i>World Insurance</i>	13
	2. <i>Notice of Benefit Reduction or Premium Increase</i>	0
	Total	4,066

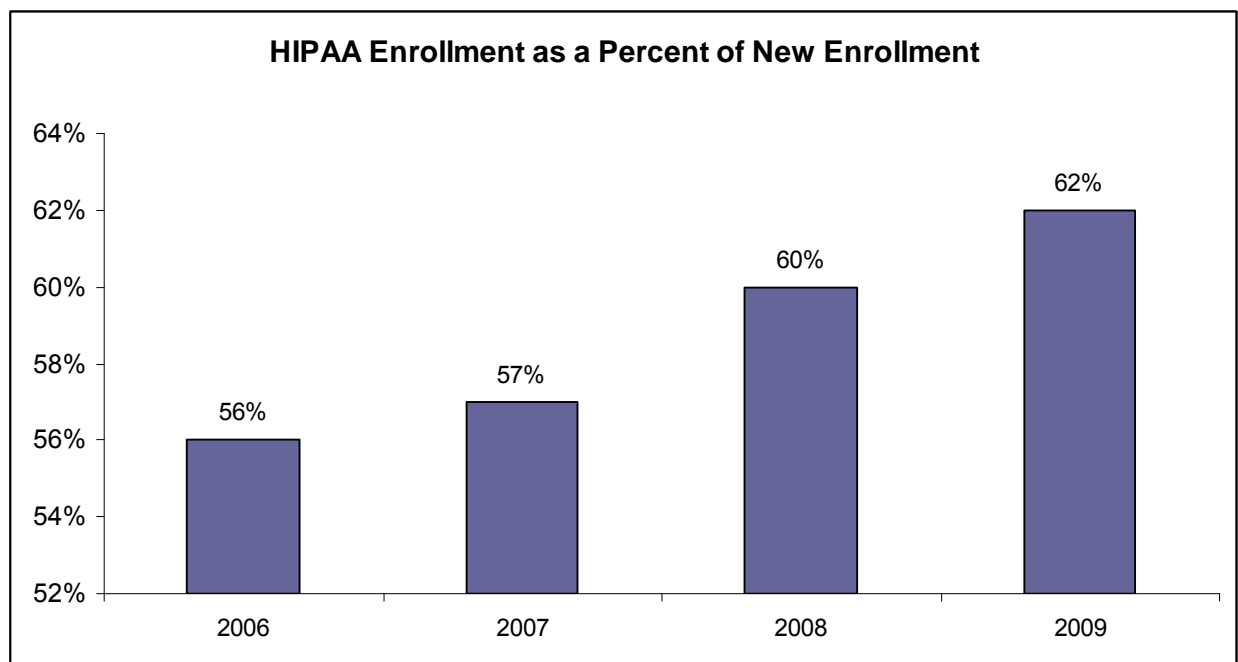
Demographics

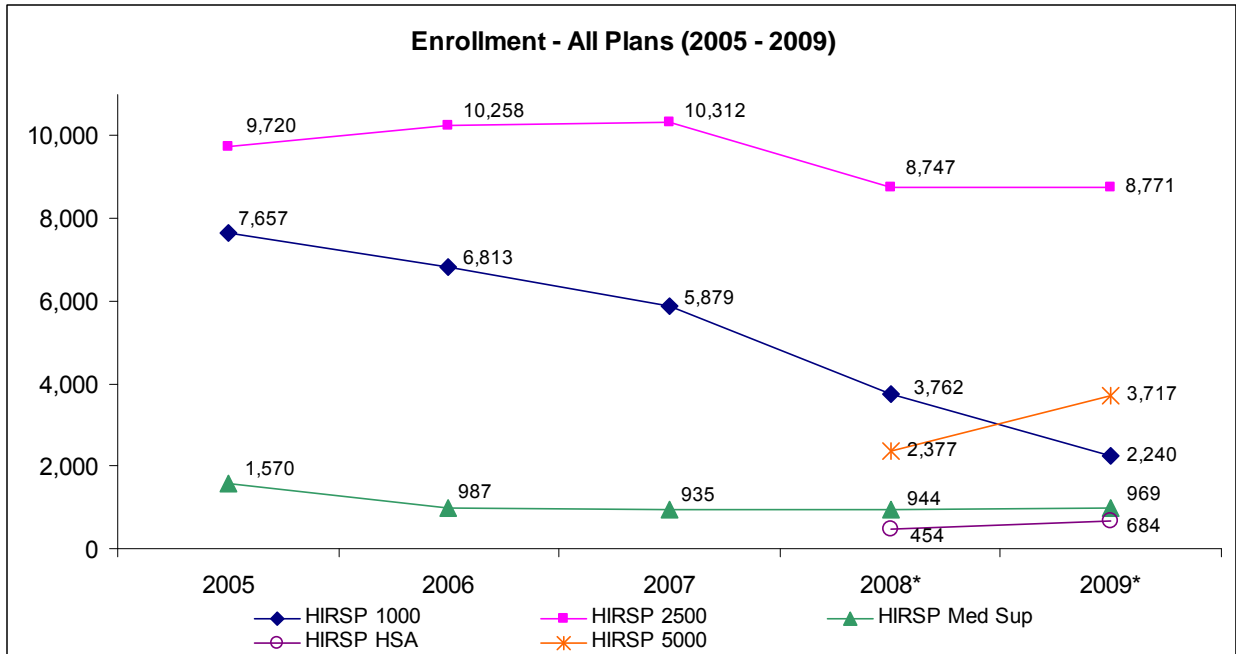
Enrollment

Over time, HIRSP enrollment has shifted from the low-deductible plan option to the high deductible options. Beginning in 2004, more HIRSP members were enrolled in Plan 1B (2,500) than Plan 1A (1,000). This trend has continued through 2009 where now only 14% of HIRSP members remain in HIRSP 1,000, while 54% are in HIRSP 2,500 and 23% are in HIRSP 5,000.

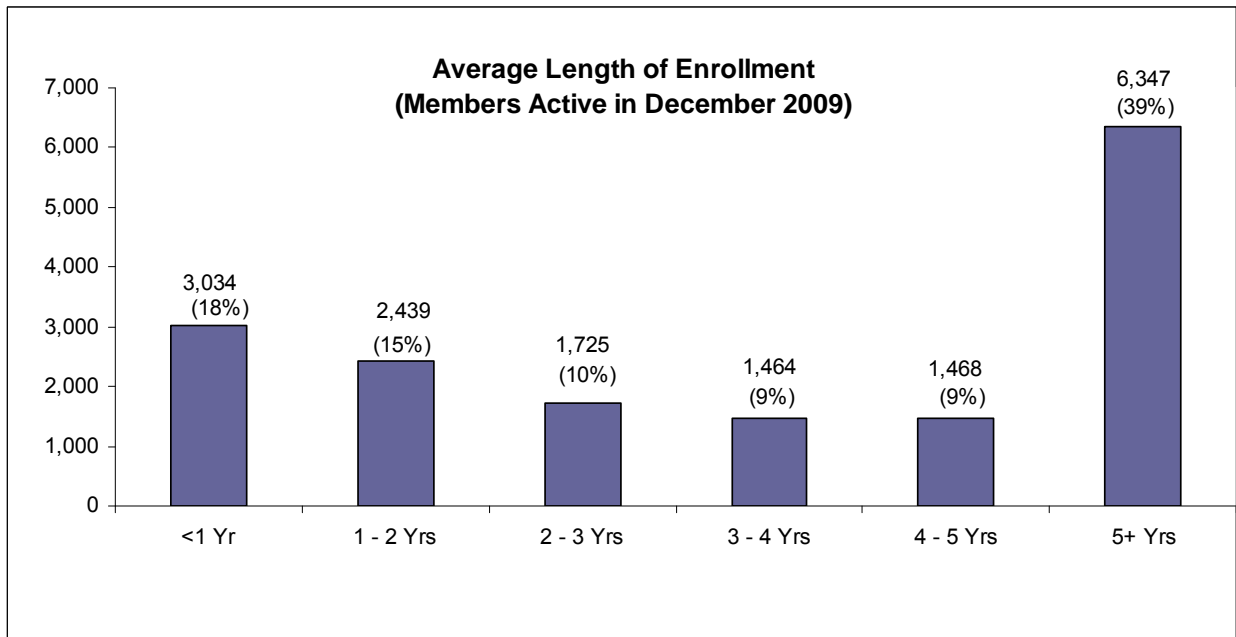


Note: In first quarter 2008, 512 children left HIRSP to enroll in BadgerCare Plus. In 2009, approximately 500 more HIRSP members left HIRSP to enroll in BadgerCare Core Plan.





* In first quarter 2008, 512 children left HIRSP to enroll in BadgerCare Plus. In 2009, approximately 500 more HIRSP members left HIRSP to enroll in BadgerCare Core Plan.

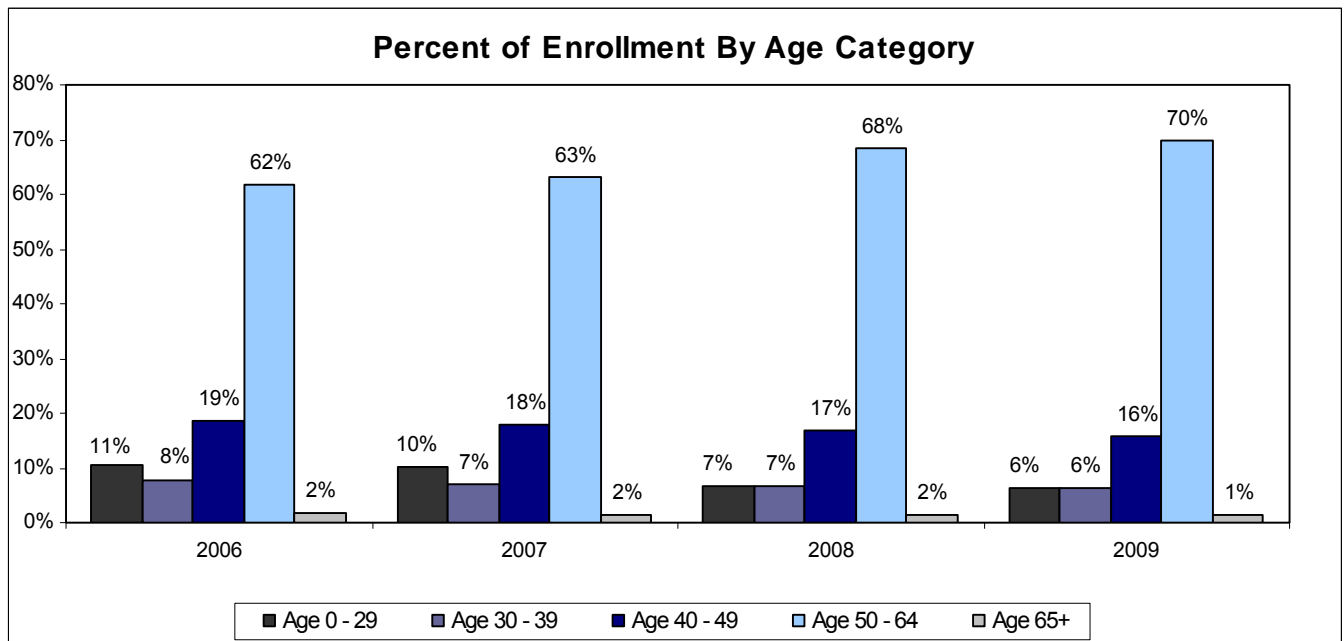


Most HIRSP members (67%) have been with HIRSP for a minimum of two years. Nearly 39% have been enrolled in HIRSP for five or more years.

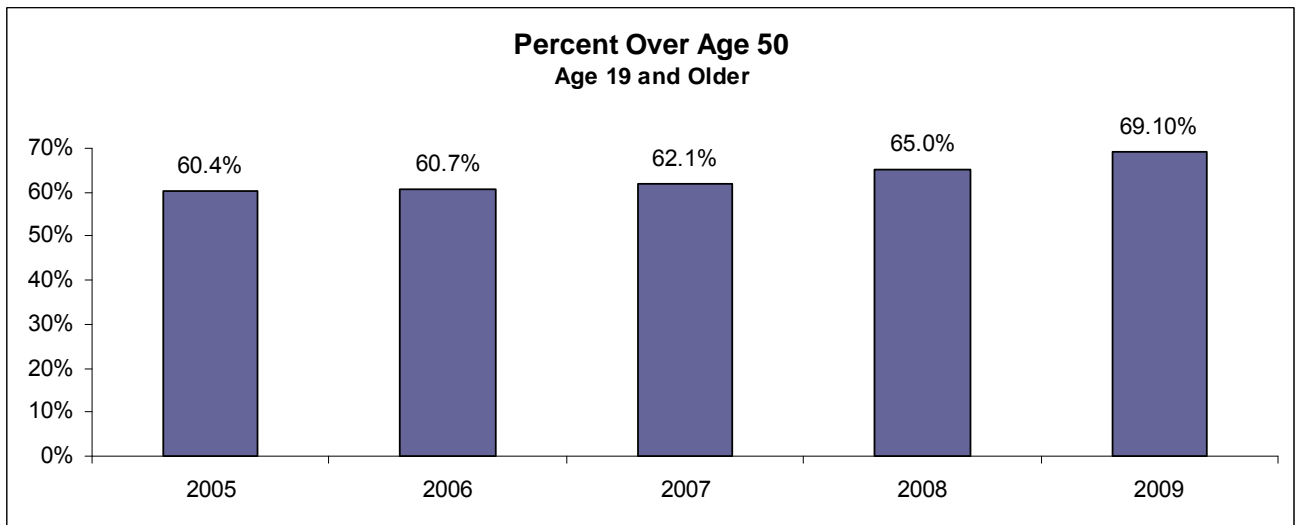
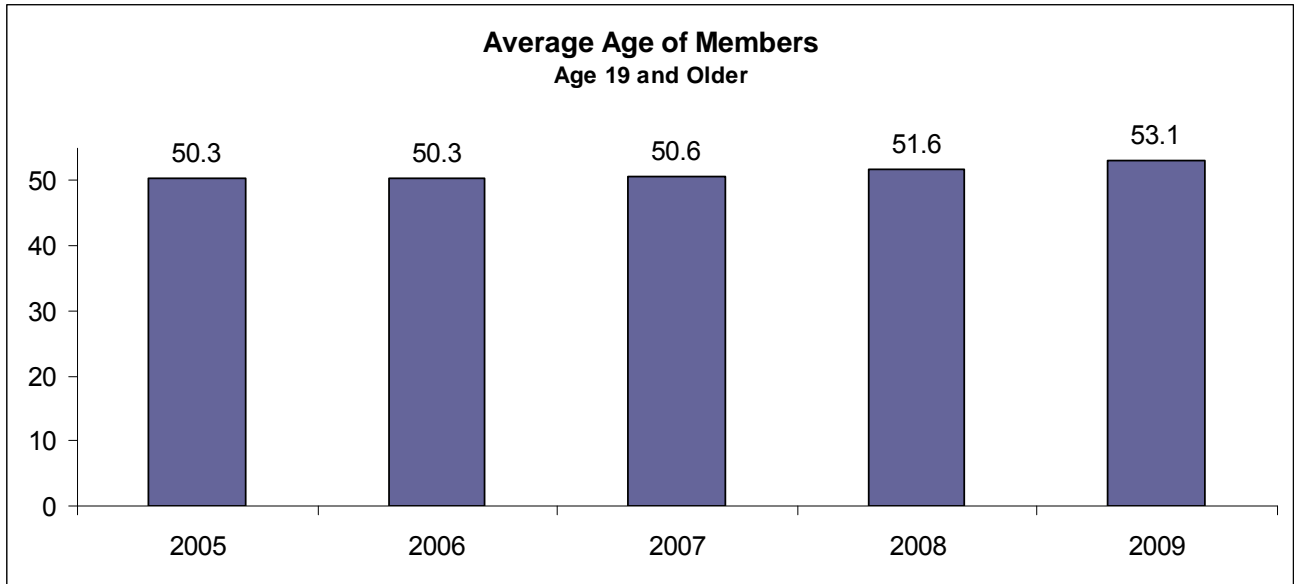
Age of Members

**Total Policies in Force by Plan and Age Group
as of December 2009**

Age Band	HIRSP 1,000	HIRSP 2,500	HIRSP HSA	HIRSP 5,000	HIRSP MED SUPP	TOTAL
0-24	145	244	13	61	3	466
25-29	226	277	12	50	6	571
30-34	178	210	18	48	21	475
35-39	163	283	19	77	34	576
40-44	198	502	44	138	62	944
45-49	291	903	53	291	107	1,645
50-54	327	1,405	126	508	168	2,534
55-59	301	2,100	155	871	190	3,617
60-64	410	2,837	244	1,672	146	5,309
65+	1	10	0	1	232	244
Total	2,240	8,771	684	3,717	969	16,381



The average age of HIRSP members over the age of 19 has increased from 52.5 years to 53.1 years, continuing a trend of an aging population. The departure of over 500 children to BadgerCare Plus is one factor that has contributed to the increased average age of HIRSP members.



Member Subsidies for Premiums and Deductibles

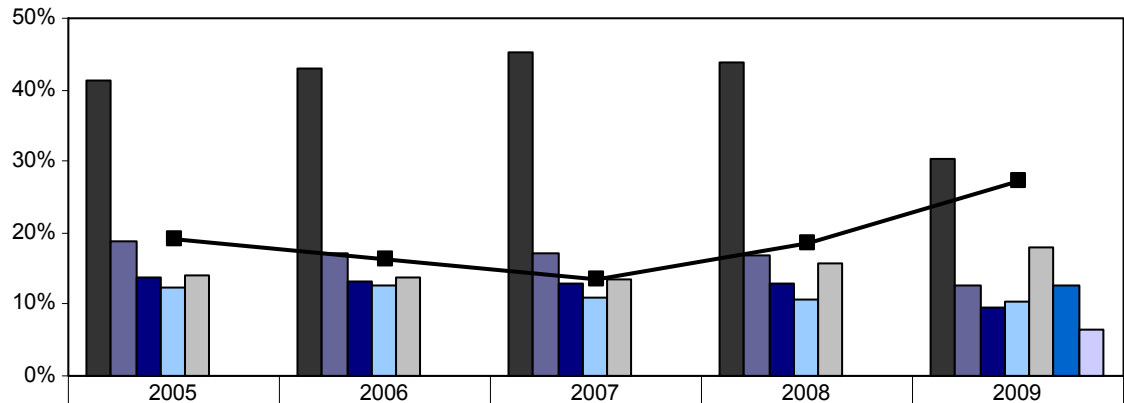
Members are eligible for reduced premiums, deductibles and drug out-of-pocket costs if their annual household income in the previous calendar year was less than \$33,000. In 2008, low income subsidies were only available to HIRSP members with less than \$25,000 of household income. Prior to 2008, only Plan 1A (HIRSP 1,000) members were eligible for subsidy, and only members with household income below \$20,000 qualified for the deductible discounts.

In 2007, the HIRSP Authority sought and obtained a statutory change that would allow for portability of low-income subsidy between plans. Allowing portability across plans moved the subsidy population from the \$1,000 deductible plan to the \$2,500 and \$5,000 deductible plans.

There are now more than twice as many subsidized members on the HIRSP 2,500 plan than on the HIRSP 1,000 plan. Coupled with indexing the low-income subsidy program based on the Consumer Price Index and increasing the household income threshold to \$33,000, the subsidy population grew 48% from 2008 to 2009. Over 27% of all members in 2009 received a low-income subsidy, up from 19% in 2008, yet the cost of the subsidy program has remained relatively stable as members shifted to higher deductible, lower premium plan options.

2009						
Subsidy Level Income Range	HIRSP 1,000	HIRSP 2,500	HIRSP HSA	HIRSP 5,000	HIRSP MED SUP	Total
Less than \$10,000	489	590	21	200	58	1,358
\$10,000 - \$13,999	156	260	11	74	67	568
\$14,000 - \$16,999	68	186	13	93	65	425
\$17,000 - \$19,999	83	218	9	95	66	471
\$20,000 - \$24,999	81	409	28	176	109	803
\$25,000 - \$29,999	53	309	20	134	44	560
\$30,000 - \$32,999	28	138	12	90	23	291
Total Subsidized Members	958	2,110	114	862	432	4,476
Total Plan Members at Year End	2,240	8,771	684	3,717	969	16,381
Percent of Members Subsidized Within Each Plan	43%	24%	17%	23%	45%	27%
Percent of All Subsidized Members by Plan	6%	13%	1%	5%	3%	27%

**Percent Subsidized by Income Level
As of December 2009**



	2005	2006	2007	2008	2009
■ < \$10,000	41%	43%	45%	44%	30%
■ \$10,000 - \$13,999	19%	17%	17%	17%	13%
■ \$14,000 - \$16,999	14%	13%	13%	13%	9%
■ \$17,000 - \$19,999	12%	13%	11%	11%	11%
■ \$20,000 - \$24,999	14%	14%	14%	16%	18%
■ \$25,000 - \$29,999	n/a	n/a	n/a	n/a	13%
■ \$30,000 - \$32,999	n/a	n/a	n/a	n/a	7%
—■ % Subsidized vs Total	19%	16%	14%	19%	27%

The HIRSP subsidy population remains weighted to the lowest income category, although the addition of two new income categories for 2009 has resulted in a slightly more even distribution across incomes. Approximately 30% of the subsidized members reported household income below \$10,000. Members with household income between \$20,000 and \$24,999 increased from 16% to 18% and members with income between \$25,000 and \$32,999 accounted for 20% of the subsidy population in 2009.

HIRSP premium rates and low income subsidy discounts can be found in Appendix 2.

Utilization and Costs

Calendar Year and Lifetime Benefit Use

The following charts illustrate HIRSP benefit usage during calendar years 2005 through 2009. In calendar year 2009, HIRSP paid over \$50,000 in benefits for 441 individual members, and \$10,000 or less for 16,048 individual members.

There were no HIRSP members that met their \$1,000,000 lifetime max in 2009.

\$1 Million Lifetime Maximum Met	
Year	Number Members
2009	0
2008	1
2007	2
2006	1

Benefit dollars paid represents the amount HIRSP paid on claims net of all applicable member deductible and coinsurance liability, and provider contribution amounts. Additional information on denied medical claims can be found in Appendix 3.

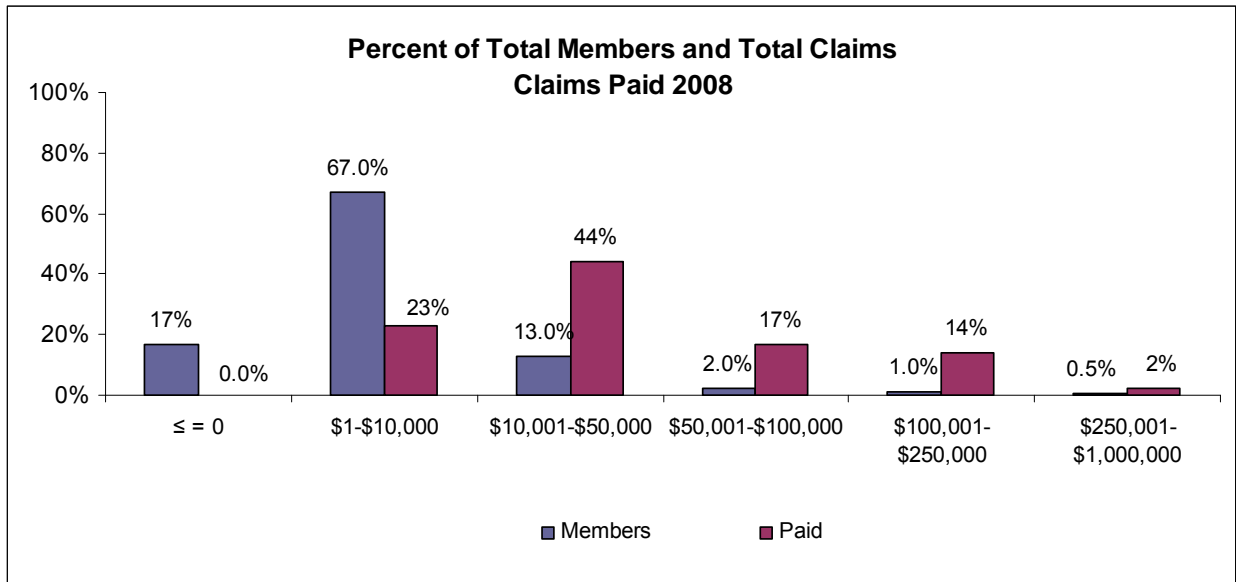
MEMBERS BY CLAIMS PAID

Claims Paid	Number of Members					
	2005	2006	2007	2008	2009*	
≤ +0	1,847	1,797	1,483	2,329	3,302	17%
\$1 - \$10,000	16,505	16,792	15,603	14,083	12,746	67%
\$1,001 - \$50,000	3,082	2,915	2,807	2,558	2,474	13%
\$50,001 - \$100,000	325	356	309	268	310	2%
\$100,001 - \$250,000	82	100	100	106	122	1%
\$250,001 - \$1,000,000	8	9	12	8	9	<.5%

Note: Claims shown on a paid basis include prior recoveries that will show as less than zero.

*This column includes member benefits (Medical and Pharmacy) paid in 2009 with dates of service in 2009 and prior. Accordingly, the total number of members identified in this column will not equal with the total number of members active in HIRSP during 2009. Since this table includes service dates prior to 2009, this table cannot be utilized to quantify the number of active members meeting their deductibles in 2009.

The table below shows that just over three percent of members accounted for 33% of claims paid in 2009.



Note: Claims shown on a paid basis include prior recoveries that will show as less than zero.

Members Not Meeting Deductible

Although HIRSP members as a group are considered to be high-risk, many have health conditions that are currently under control with relatively low medical expenses. Other high-risk members have episodes of high costs, while a third subset of members require on-going and sometimes, very high cost treatment. Members with low medical costs or intermittent episodes of high costs help explain why many members did not meet their deductible in 2009. The percent of members meeting their deductible has been consistent over the last three years even with the shift to higher deductible plans.

Policyholders Not Meeting Deductible in 2009 By Age

Age Band	2009 Enrollees	Not Meeting Deductible		% Not Meeting Deductible By Age
		Count	%	
< 20	23	18	0%	78%
20-24	564	447	3%	79%
25-29	711	511	3%	72%
30-34	603	418	3%	69%
35-39	699	497	3%	71%
40-44	1,106	790	5%	71%
45-49	1,933	1,409	10%	73%
50-54	2,876	2,083	14%	72%
55-59	4,074	3,039	21%	75%
60-64	5,811	4,390	30%	76%
65+	1,409	1,028	7%	73%
Total	19,809	14,630	100%	74%

Year	Percent not Meeting Deductible
2009	74%
2008	73%
2007	73%

Paid Claim Summary

By type of service, prescription drugs remain a very large cost driver for HIRSP. In 2009, HIRSP incurred over \$36 million in prescription drug claims representing approximately 30% of total claims. Adding medical claims for injectable drugs, brings total drug spending to just over \$43 million or 36% of total claim costs, an increase of less than 3% over 2008. HIRSP claims were highest for diseases and disorders of the musculoskeletal system and connective tissue (18% of total claims incurred) and diseases and disorders of the circulatory system (14%).

The following three tables provide additional detail on claims paid by type of service, diagnosis and the top 20 individual claims paid in calendar year 2009.

TYPE OF SERVICE Medical and Pharmacy Claims Incurred 1/2009-12/2009 Paid thru 3/2010

Rank	Type of Service	Total Paid	% of Total
1	PRESCRIPTION DRUGS	\$36,305,502	30%
2	SURGERY	\$27,828,185	23%
3	OUTPATIENT FACILITY OTHER	\$11,151,539	9%
4	RADIOLOGY	\$9,521,675	8%
5	INPATIENT FACILITY OTHER	\$8,549,134	7%
6	INJECTABLE DRUGS	\$6,906,464	6%
7	PROFESSIONAL OTHER	\$5,560,984	5%
8	PATHOLOGY	\$3,926,155	3%
9	OFFICE VISIT	\$2,976,122	2%
10	PSYCH/AODA	\$2,362,987	2%
11	DURABLE MEDICAL EQUIPMENT	\$1,814,830	1%
12	THERAPIES	\$1,723,721	1%
13	EMERGENCY ROOM	\$1,185,959	1%
14	ANESTHESIA	\$1,012,867	1%
15	AMBULANCE	\$564,888	.5%
16	MATERNITY	\$287,002	< .5%
17	CHIROPRACTIC	\$205,575	< .5%
18	DENTAL	\$8,601	< .5%
	Total	\$121,892,193	

MAJOR DIAGNOSTIC CATEGORY
Medical Claims
Incurred 1/2009-12/2009 Paid thru 3/2010

Major Diagnostic Category	Total Paid	% of Total
DISEASES AND DISORDERS OF THE MUSCULOSKELETAL SYSTEM AND CONNECTIVE TISSUE	\$15,377,667	18%
DISEASES AND DISORDERS OF THE CIRCULATORY SYSTEM	\$12,328,734	14%
DISEASES AND DISORDERS OF THE DIGESTIVE SYSTEM	\$9,055,104	11%
MYELOPROLIFERATIVE DISEASES AND DISORDERS, AND POORLY DIFFERENTIATED NEOPLASMS	\$5,541,467	6%
DISEASES AND DISORDERS OF THE RESPIRATORY SYSTEM	\$5,457,668	6%
DISEASES AND DISORDERS OF THE NERVOUS SYSTEM	\$5,114,546	6%
DISEASES AND DISORDERS OF THE SKIN, SUBCUTANEOUS TISSUE AND BREAST	\$4,877,996	6%
FACTORS INFLUENCING HEALTH STATUS AND OTHER CONTACTS WITH HEALTH SERVICES	\$4,690,750	5%
ENDOCRINE, NUTRITIONAL AND METABOLIC DISEASES AND DISORDERS	\$3,207,863	4%
DISEASES AND DISORDERS OF THE KIDNEY AND URINARY TRACT	\$3,020,892	4%
DISEASES AND DISORDERS OF THE HEPATOBILIARY SYSTEM AND PANCREAS	\$2,616,049	3%
MENTAL DISEASES AND DISORDERS	\$1,828,980	2%
DISEASES AND DISORDERS OF THE BLOOD AND BLOOD FORMING ORGANS AND IMMUNOLOGICAL	\$1,768,202	2%
DISEASES AND DISORDERS OF THE EAR, NOSE, MOUTH AND THROAT	\$1,720,683	2%
UNGROUPABLE	\$1,696,430	2%
DISEASES AND DISORDERS OF THE FEMALE REPRODUCTIVE SYSTEM	\$1,613,448	2%
INFECTIOUS AND PARASITIC DISEASES	\$1,601,770	2%
DISEASES AND DISORDERS OF THE EYE	\$1,210,048	1%
INJURIES, POISONINGS AND TOXIC EFFECTS OF DRUGS	\$1,071,354	1%
DISEASES AND DISORDERS OF THE MALE REPRODUCTIVE SYSTEM	\$780,927	1%
PREGNANCY, CHILDBIRTH AND THE PUERPERIUM	\$373,136	< .5%
ALCOHOL/DRUG USE AND ALCOHOL/DRUG INDUCED ORGANIC MENTAL DISORDERS	\$271,762	< .5%
HUMAN IMMUNODEFICIENCY VIRUS INFECTIONS	\$226,423	< .5%
MULTIPLE SIGNIFICANT TRAUMA	\$130,841	< .5%
BURNS	\$3,952	< .5%
Total	\$85,586,691	

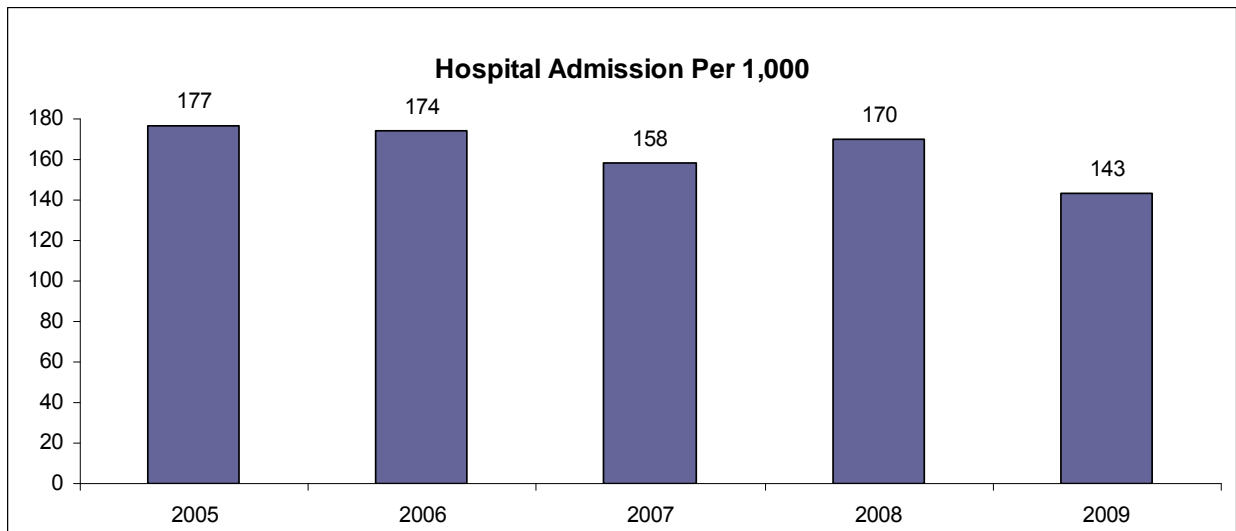
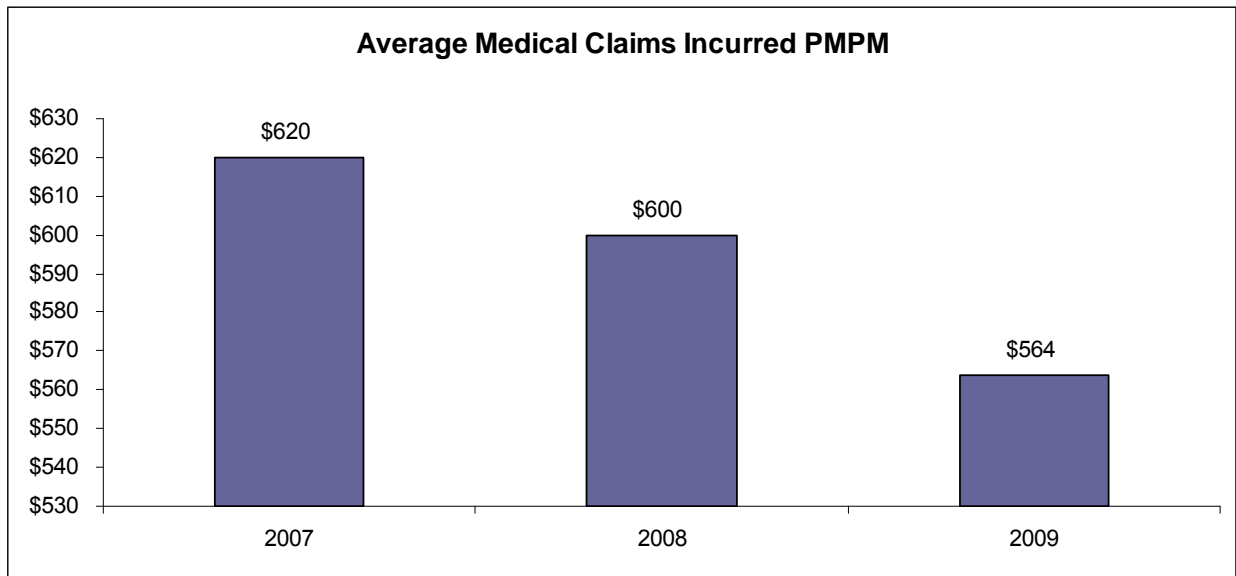
TOP 20 PAID CLAIMS
Incurred 1/2009-12/2009 Paid thru 3/2010

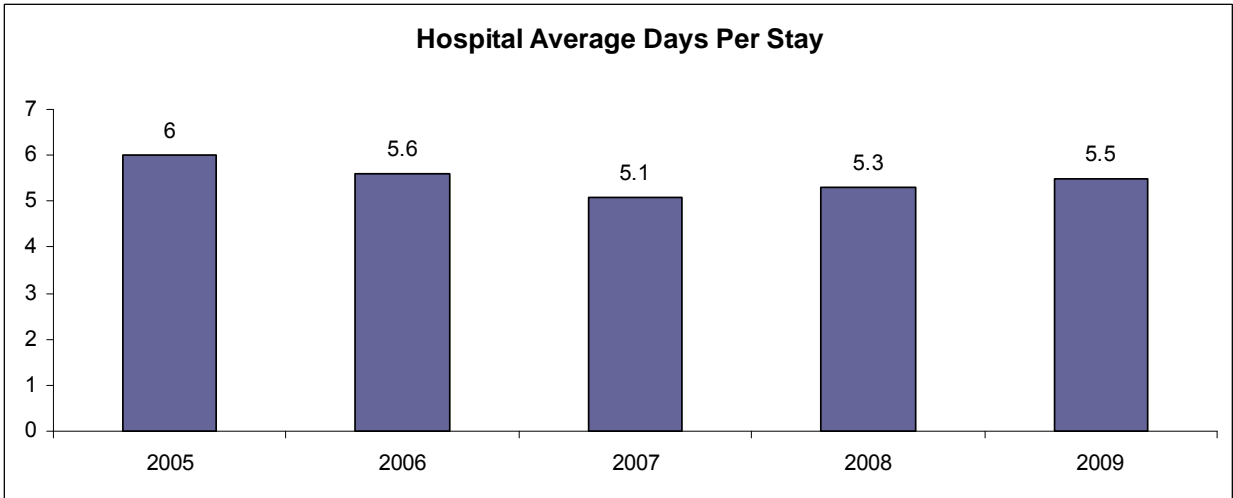
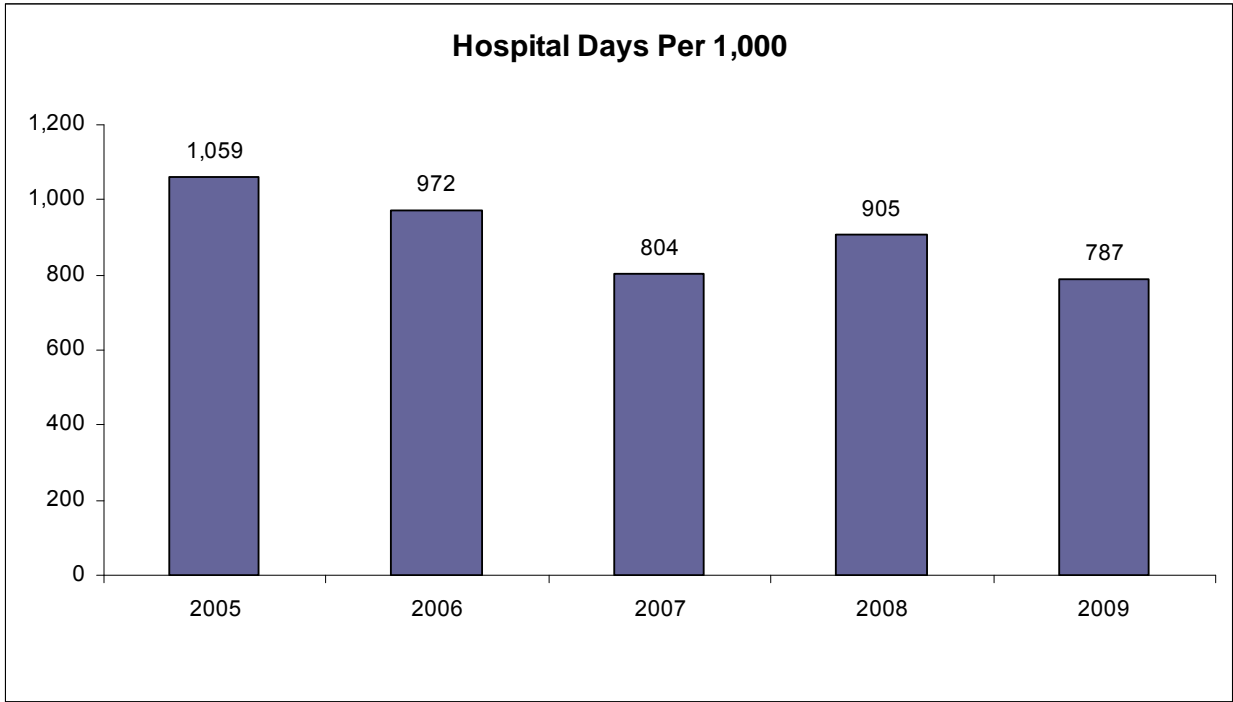
Major Diagnostic Category	Diagnosis	Amount Paid
CIRCULATORY	ACUTE HEART FAILURE	\$234,707
INFECTIONS	POST OPERATIVE INFECTION	\$199,819
NERVOUS SYSTEM	SKULL FRACTURE WITH COMA	\$156,430
CIRCULATORY	HEART MUSCLE DISEASE	\$127,077
RESPIRATORY	RESPIRATORY FAILURE	\$126,109
NERVOUS SYSTEM	DISORDER OR DISEASE OF THE BRAIN	\$110,428
KIDNEY	DEGENERATIVE KIDNEY CHANGES	\$107,205
ALCOHOL/DRUG USE	MENTAL CONFUSION DUE TO ALCOHOL WITHDRAWAL	\$101,567
INFECTIONS	INFECTION IN THE BLOOD STREAM	\$101,172
INFECTIONS	INFECTION IN THE BLOOD STREAM	\$97,699
INFECTIONS	INFECTION IN THE BLOOD STREAM	\$97,051
MUSCULOSKELETAL	INFECTION INTERNAL ORTHOPEDIC DEVICE	\$93,871
RESPIRATORY	PNEUMONIA	\$92,287
FEMALE REPRODUCTIVE	ABNORMAL OPENING BETWEEN BLADDER & VAGINA	\$88,645
RESPIRATORY	ACUTE RESPIRATORY FAILURE	\$88,081
RESPIRATORY	RESPIRATORY FAILURE	\$81,959
MUSCULOSKELETAL	SCOLIOSIS	\$81,364
SPINE, BONE MARROW	CANCER	\$80,658
MULTIPLE TRAUMA	FRACTURE OF THE TIBIA & FIBULA (LOWER LEG BONES)	\$80,576
CIRCULATORY	HEART ATTACK (MYOCARDIAL INFARCTION)	\$68,803

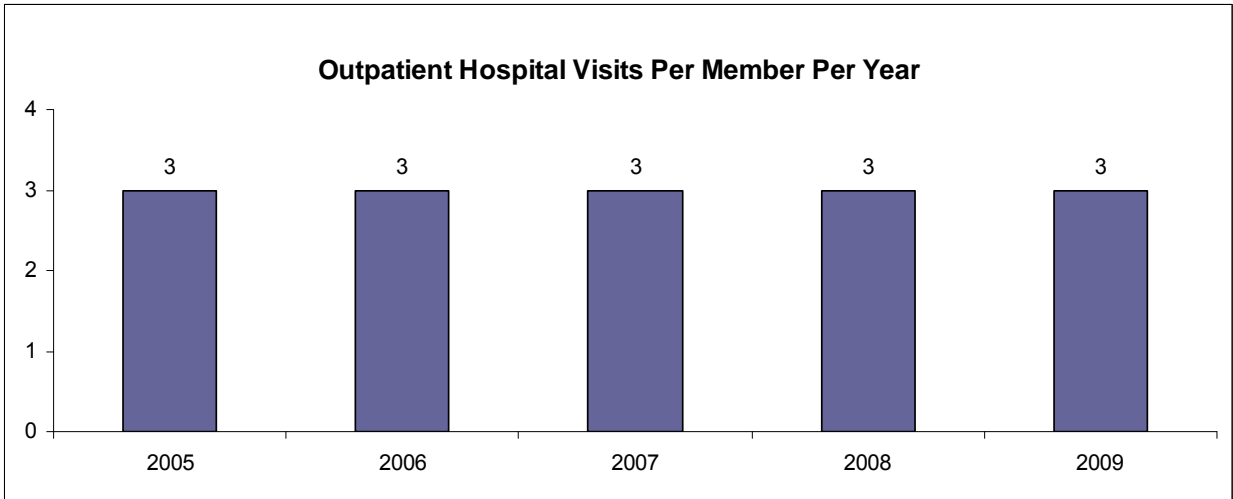
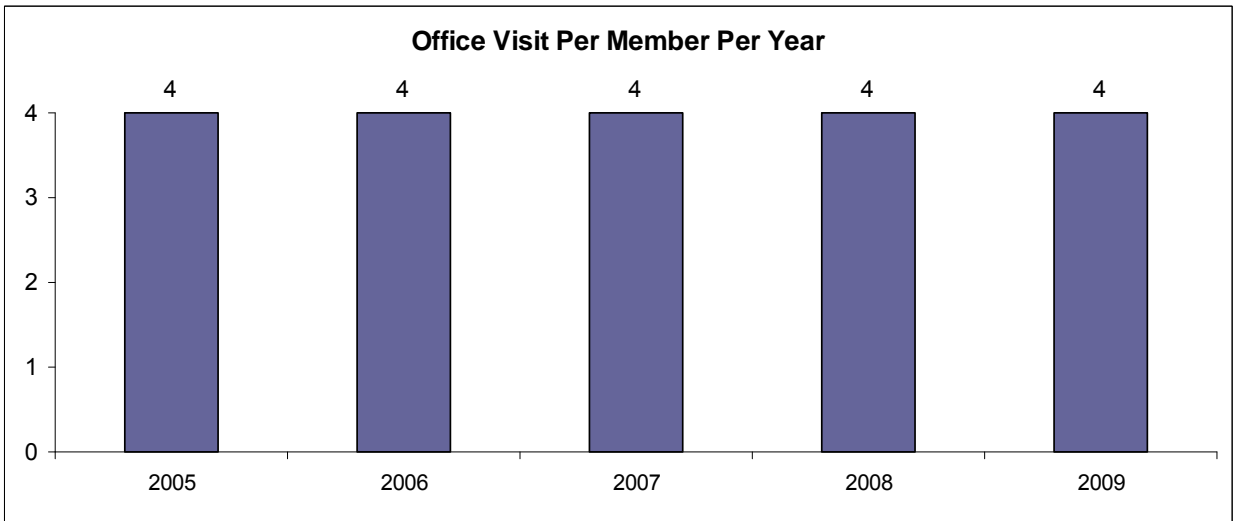
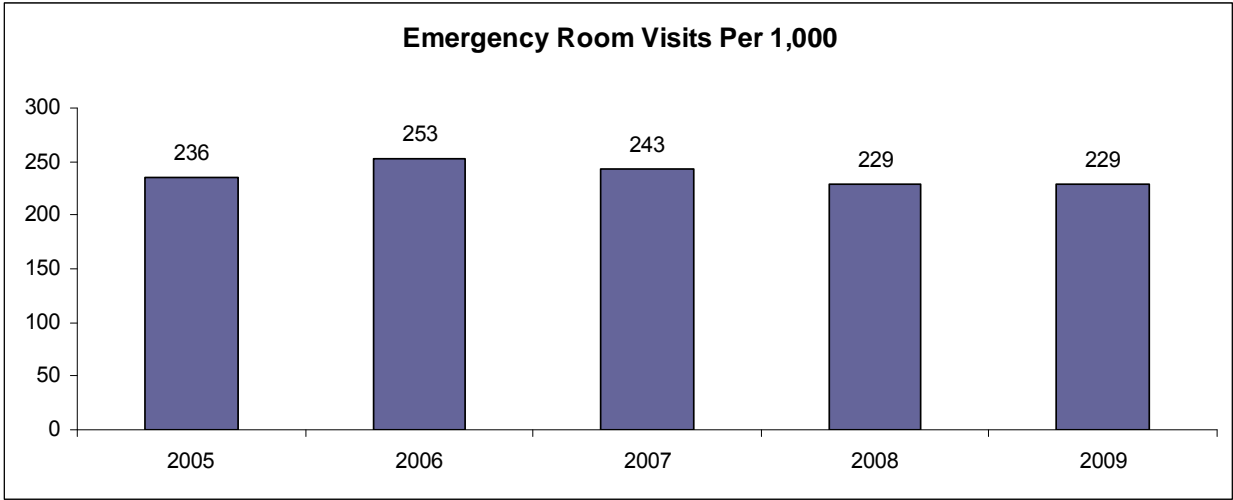
Utilization Metrics

The following series of tables represent various utilization metrics. Most of these metrics improved in 2009 or were relatively stable. The average medical claims incurred per member per month continues to decline. Between 2007 and 2009, the claims incurred per member per month dropped 9%.

In 2009, hospital admissions per 1,000 decreased from 170 to 143, hospital days per thousand were down to 787 from 905, but hospital average days per stay were up from 5.3 to 5.5. Emergency room visits remained stable in 2009.



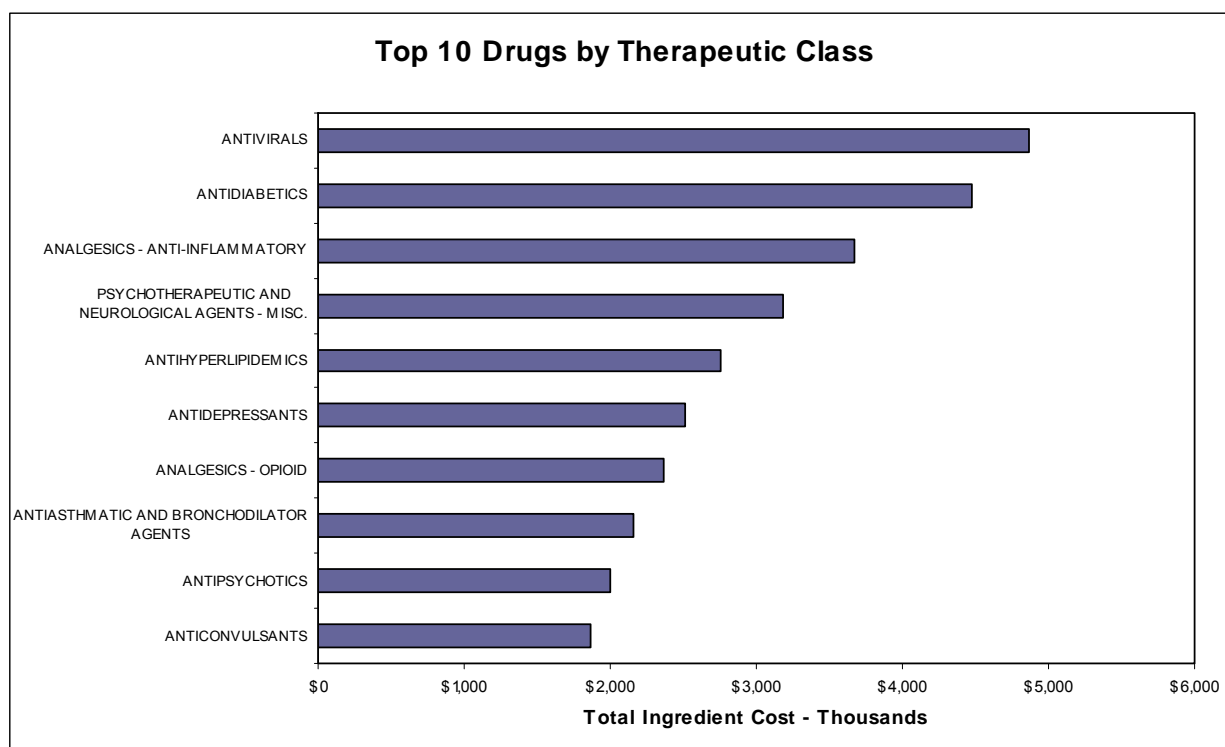




Drug Expenditures by Class

The top three classes of drugs by total expenditure were antiviral, antidiabetic and analgesic/anti-inflammatory medications. By number of prescriptions filled, cholesterol (53,377), antidepressant (43,776) and antidiabetic (42,988) medications were the most frequently prescribed drugs in 2009.

HIRSP members filled fewer prescriptions in 2009 and increased generic utilization to 70%. In 2010, HIRSP will continue to focus on pharmacy initiatives designed to encourage use of lower cost alternatives where appropriate.

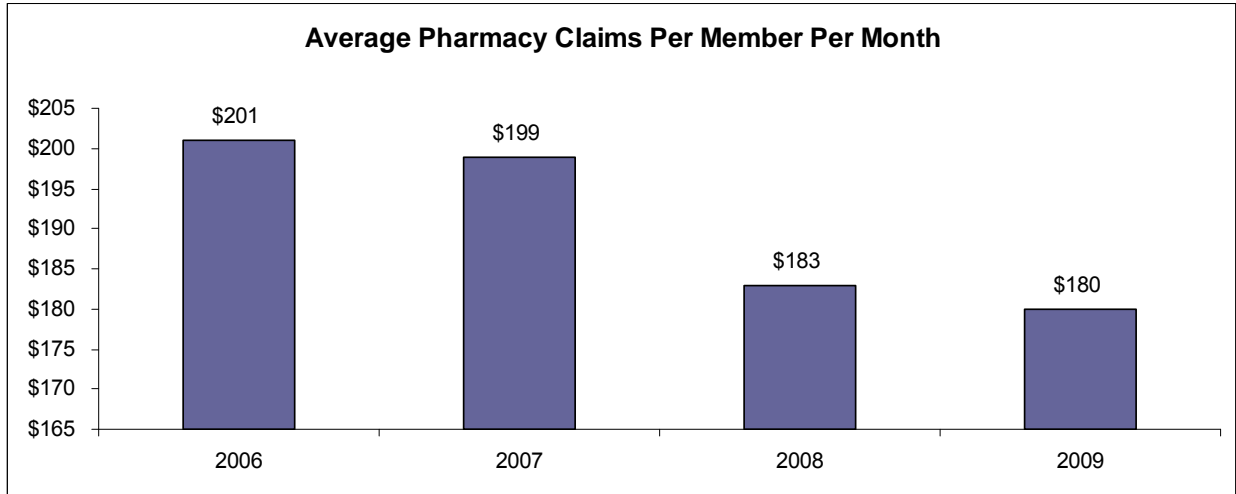


Additional information on denied pharmacy claims can be found in Appendix 4.

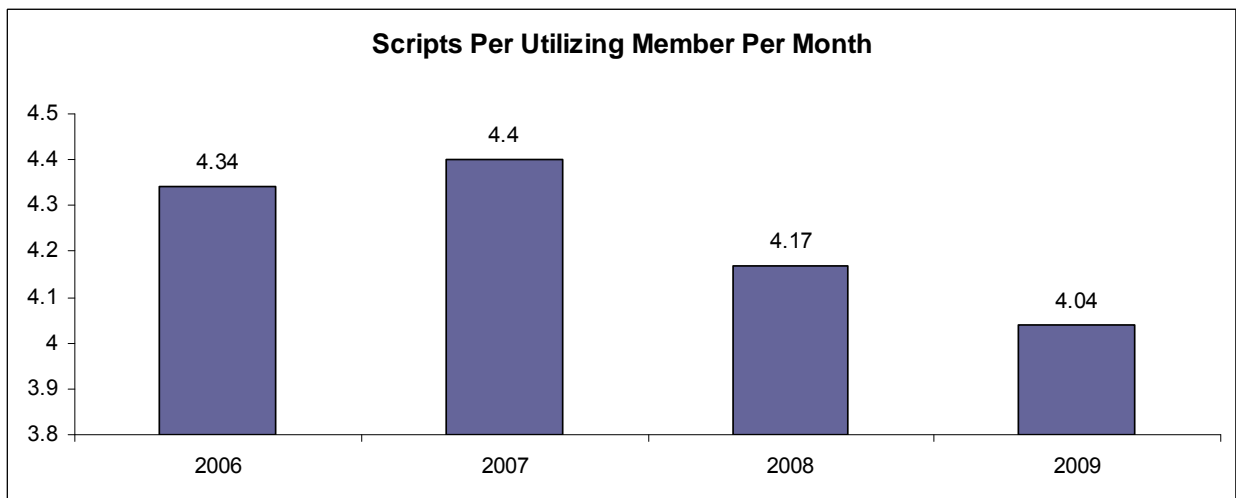
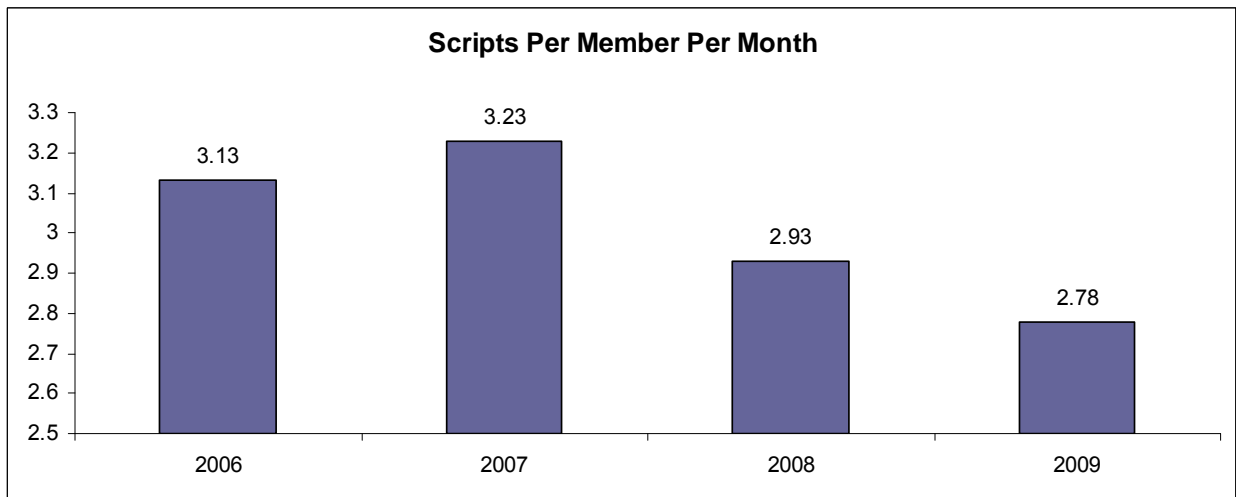
TOP 10 DRUGS BY THERAPEUTIC CLASS

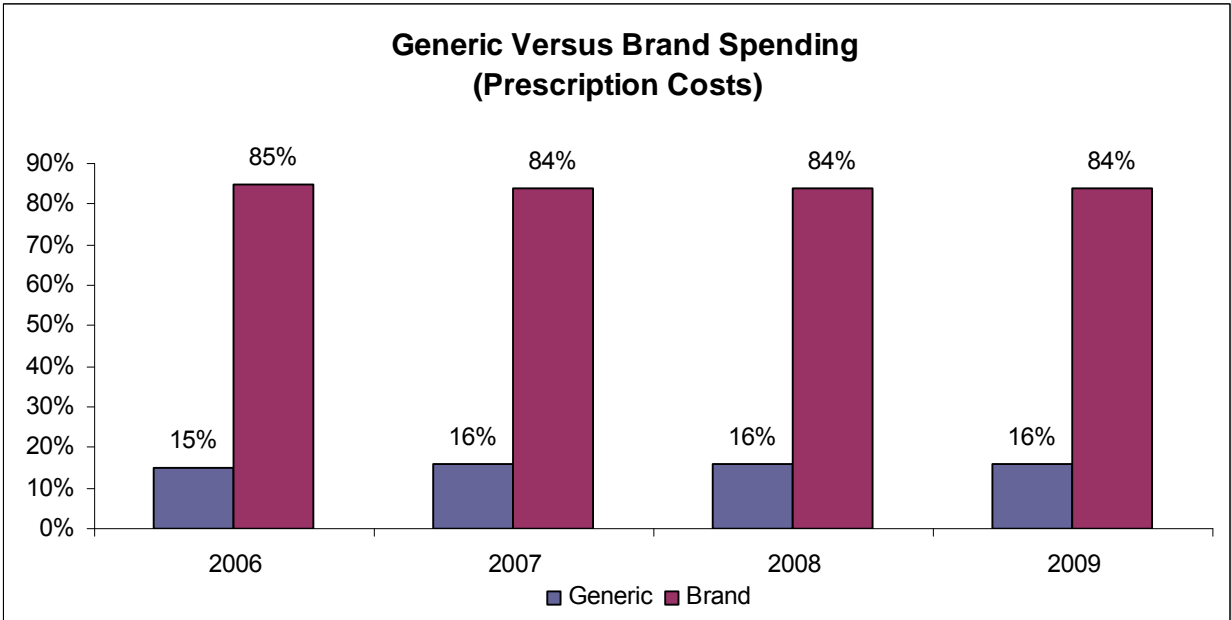
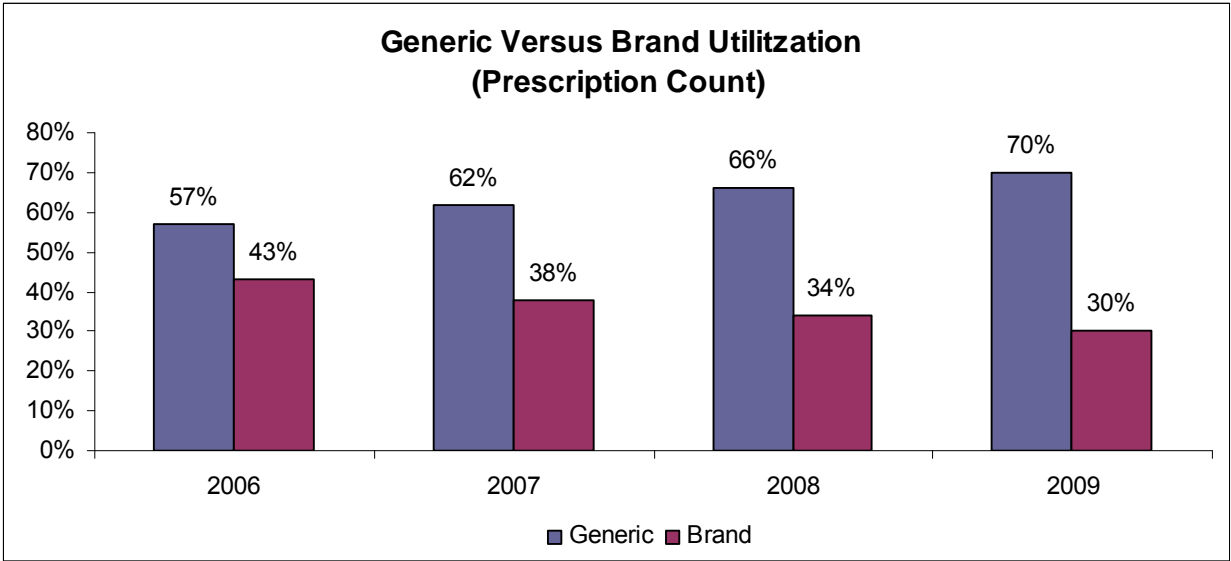
Rank	Drug Category	Description/Use
1	ANTIVIRALS	ANTIBIOTICS, HIV/AIDS
2	ANTIDIABETICS	DIABETIC AGENTS
3	ANALGESICS - ANTI-INFLAMMATORY	REDUCE PAIN, FEVER AND INFLAMMATION
4	PSYCHOTHERAPEUTIC AND NEUROLOGICAL AGENTS - MISC.	BRAIN FUNCTION DISORDERS, ALZHEIMERS DISEASE
5	ANTIHYPERTENSIVES	HIGH CHOLESTEROL, LIPID LOWERING
6	ANTIDEPRESSANTS	DEPRESSION
7	ANALGESICS - OPIOID	PAIN RELIEF
8	ANTIASTHMATIC AND BRONCHODILATOR AGENTS	ASTHMA, CHRONIC OBSTRUCTIVE PULMONARY DISEASE (COPD)
9	ANTIPSYCHOTICS	SCHIZOPHRENIA, PSYCHOSIS, DELUSIONAL DISORDER
10	ANTICONVULSANTS	SEIZURES

Pharmacy Utilization Metrics

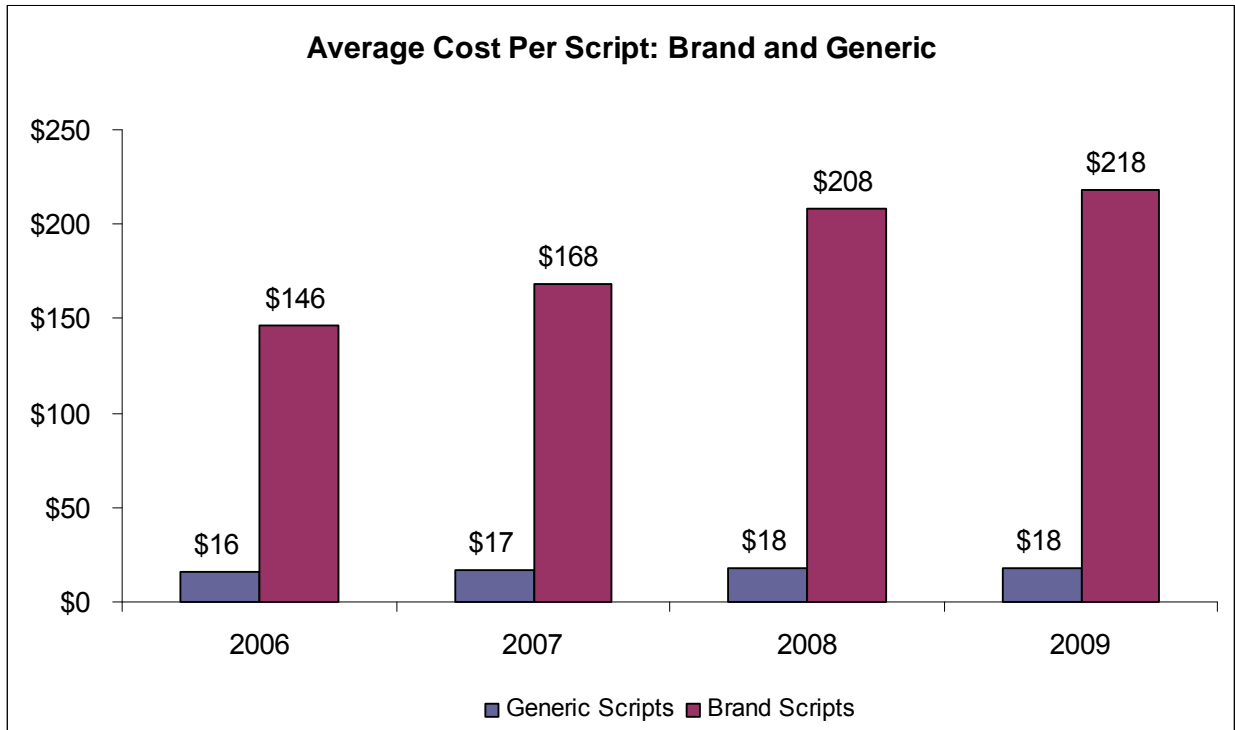


Note: The PMPM figures do not reflect rebates, which offset pharmacy claims costs.





Generic utilization by HIRSP members has grown significantly over the past six years, reaching 70% in 2009. Even with these efforts, brand name drugs still account for 84% of total drug spending. This is due in part to relatively flat costs for generic drugs but increasing costs for brand name prescription drugs.



Appeals, Grievance and IRO Reports

Grievance

<u>Type of Grievance</u>	<u># of Grievances</u>
Drug & Drug Formulary	4
Enrollment/Eligibility Requirements	25
Not Covered Benefit	101
Not Medically Necessary	65
Plan Administration	271
Prior Authorization	25
Experimental Treatment	14
Billing/Claim Processing	2
Other	1
 <u>Grievance Committee Decision</u>	
Closed Prior to Committee	11
Approved	251
Upheld Denial	224
Partial Approval	22
Total Grievances Received	508

Appeal

<u>Type of Appeal</u>	<u># of Appeals</u>
Drug & Drug Formulary	1
Enrollment/Eligibility Requirements	1
Experimental Treatment	2
Not Medically Necessary	8
Plan Administration	21
Not Covered Benefit	13
Prior Authorization	8
Billing/Claim Processing	0
 <u>Appeal Committee Decision</u>	
Closed Prior to Committee	0
Approved	19
Upheld Denial	17
Upheld Denial with IRO Rights	9
Partial Approval	9
Total Appeals Received	54

HIRSP Cumulative IRO Activity

	2007	2008	2009		2007	2008	2009
IRO Requests	11	5	6	IRO Fees	\$7,295	\$3,425	\$3,925
Ineligible Requests	1	0	0	Benefits Paid	0	\$930	\$6,578
Overturned	1	1	3				
Upheld	9	4	3				
Eligible Requests	10	5	6	Case Costs	\$7,295	\$4,355	\$10,503

Appendix 1

HIRSP Authority Board of Directors Membership Roster as of December 2009

Members	Organization Represented
Dennis Conta, Chair Conta and Associates	Public Member
Dr. Michele Bachhuber Marshfield Clinic	Wisconsin Medical Society Representative
Wendy Arnone United Healthcare of Wisconsin, Inc.	Insurer Representative
Jason Klimowicz Disability Rights of Wisconsin	Consumer Advocate
Joe Kachelski Wisconsin Hospital Association, Inc	Wisconsin Hospital Association Representative
Wayne MacArdy Phillips Pharmacies	Pharmacy Society of Wisconsin Representative
Eileen Mallow Office of the Commissioner of Insurance	Commissioner of Insurance Designee
Carol Peirick Wisconsin Education Association	Insurer Representative
Larry Rambo Humana Insurance Company	Insurer Representative
Deborah Severson Realityworks, Inc.	Small Business Representative
Luann Simpson	Member Representative
Annette Stebbins	Member Representative
Larry Zanoni Group Health Cooperative-South Central Wisconsin	Insurer Representative
Vacant	Health Care Provider Representative

Appendix 2

HIRSP PLAN ANNUAL PREMIUM RATES

Full Premium Rates

Rates Effective January 1, 2009 - December 31, 2009

HIRSP 1,000

Age	Males
0-18	\$3,600
19-24	3,600
25-29	3,792
30-34	4,380
35-39	5,148
40-44	6,204
45-49	7,548
50-54	9,108
55-59	11,136
60 +	13,536

Age	Females
0-18	\$3,540
19-24	4,512
25-29	5,088
30-34	5,820
35-39	6,780
40-44	7,848
45-49	8,868
50-54	9,828
55-59	10,896
60 +	11,520

HIRSP 2,500

Age	Males
0-18	\$1,848
19-24	1,836
25-29	1,908
30-34	2,232
35-39	2,544
40-44	3,072
45-49	3,876
50-54	4,992
55-59	6,384
60 +	8,040

Age	Females
0-18	\$1,848
19-24	2,328
25-29	2,568
30-34	2,952
35-39	3,360
40-44	3,900
45-49	4,488
50-54	5,148
55-59	5,856
60 +	6,684

HIRSP HSA 3,500

Age	Males
0-18	\$1,596
19-24	1,584
25-29	1,644
30-34	1,920
35-39	2,184
40-44	2,640
45-49	3,336
50-54	4,284
55-59	5,496
60 +	6,912

Age	Females
0-18	\$1,596
19-24	2,016
25-29	2,208
30-34	2,532
35-39	2,892
40-44	3,360
45-49	3,852
50-54	4,428
55-59	5,052
60 +	5,748

HIRSP 5,000

Age	Males
0-18	\$1,356
19-24	1,332
25-29	1,404
30-34	1,632
35-39	1,860
40-44	2,244
45-49	2,844
50-54	3,648
55-59	4,668
60 +	5,868

Age	Females
0-18	\$1,344
19-24	1,704
25-29	1,884
30-34	2,160
35-39	2,460
40-44	2,844
45-49	3,264
50-54	3,756
55-59	4,272
60 +	4,884

HIRSP Medicare Supplement

Age	Males
0-18	\$1,080
19-24	1,080
25-29	1,428
30-34	1,632
35-39	1,932
40-44	2,352
45-49	2,796
50-54	3,396
55-59	4,080
60 +	4,884

Age	Females
0-18	\$1,080
19-24	1,500
25-29	1,908
30-34	2,076
35-39	2,556
40-44	2,916
45-49	3,360
50-54	3,792
55-59	4,176
60 +	4,524

HEALTH INSURANCE RISK-SHARING PLAN

Plans Subsidy Discount Tables

HIRSP 1,000, HIRSP 2,500 and HIRSP 5,000

Household Income	Medical Deductible Discount	Premium Discount	Drug Out-of-Pocket Maximum
\$33,000 and Above	No Discount	No Discount	\$2,000
\$30,000 – 32,999.99	\$100	15%	\$1,250
\$25,000 – 29,999.99	\$100	20%	\$1000
\$20,000 - 24,999.99	\$100	25%	\$750
\$17,000 – 19,999.99	\$200	29%	\$600
\$14,000 – 16,999.99	\$300	34%	\$525
\$10,000 – 13,999.99	\$400	39%	\$450
Less than \$10,000	\$500	43%	\$375

HIRSP Medicare Supplement

Household Income	Medical Deductible Discount	Premium Discount	Drug Out-of-Pocket Maximum
\$33,000 and Above	No Discount	No Discount	\$1,500
\$30,000 – 32,999.99	No Discount	10%	\$500
\$25,000 - 29,999.99	No Discount	10%	\$250
\$20,000 - 24,999.99	No Discount	15%	\$125
\$17,000 – 19,999.99	No Discount	20%	\$125
\$14,000 – 16,999.99	No Discount	25%	\$125
\$10,000 – 13,999.99	No Discount	30%	\$125
Less than \$10,000	No Discount	35%	\$125

HIRSP Health Savings Account

Household Income	Medical/Drug Deductible Discount	Premium Discount	Drug Out-of-Pocket Maximum *
\$33,000 and Above	No Discount	No Discount	Not Applicable
\$30,000 – 32,999.99	\$100	15%	Not Applicable
\$25,000 – 29,999.99	\$100	20%	Not Applicable
\$20,000 - 24,999.99	\$100	25%	Not Applicable
\$17,000 – 19,999.99	\$200	29%	Not Applicable
\$14,000 – 16,999.99	\$300	34%	Not Applicable
\$10,000 – 13,999.99	\$400	39%	Not Applicable
Less than \$10,000	\$500	43%	Not Applicable

*The medical and drug benefit in the HSA plan is a combined benefit; therefore, a cap on out-of-pocket drug costs is not available.

Appendix 3

MEDICAL CLAIMS DENIED

Processed Month	All Plans		Total	Denial Rate
	Paid	Denied		
January 2009	28,358	5,576	33,934	16%
February 2009	23,132	4,272	27,404	16%
March 2009	29,899	5,297	35,196	15%
April 2009	28,071	4,953	33,024	15%
May 2009	25,891	4,813	30,704	16%
June 2009	28,465	4,964	33,429	15%
July 2009	25,907	4,518	30,425	15%
August 2009	28,135	5,164	33,299	16%
September 2009	29,934	5,231	35,165	15%
October 2009	30,202	5,345	35,547	15%
November 2009	29,579	5,791	35,370	16%
December 2009	27,465	5,447	32,912	17%
Total	335,038	61,371	396,409	15%

TOP 10 REASONS FOR DENIAL

Paid in 2009

(Medical Only, No Rx)

Reasons for Denial	Volume	% of Total
DUPLICATE CLAIM/SERVICE.	11,970	20%
NONCOVERED SERVICES BECAUSE THIS A ROUTINE EXAM OR SCREENING PROCEDURE DONE IN CONJUNCTION OF A ROUTINE EXAM.	5,811	9%
CLAIM DENIED/REDUCED BECAUSE CHARGES HAVE BEEN PAID BY ANOTHER PAYER AS PART OF COORDINATION OF BENEFITS.	5,056	8%
EXPENSE(S) INCURRED AFTER COVERAGE TERMINATED. SERVICES PROVIDED AFTER THE TERMINATION DATE, NON-COVERED	4,726	8%
SERVICES PERFORMED BY A PROVIDER WHO IS NOT MEDICAID CERTIFIED ARE NOT COVERED	3,589	6%
CLAIM DENIED BECAUSE THIS CARE MAY BE COVERED BY ANOTHER PAYER AS PART OF COORDINATION OF BENEFITS	3,537	6%
THIS IS A PREEXISTING CONDITION. MEDICAL RECORDS OBTAINED FROM YOUR PROVIDER HAVE IDENTIFIED A PRE-EXISTING CONDITION.	3,216	5%
WE WILL BE ABLE TO COMPLETE PROCESSING OF THIS CLAIM WHEN WE RECEIVE THE MEDICAL RECORDS WE REQUESTED.	2,380	4%
WE NEED THE MEDICARE EXPLANATION OF BENEFITS TO PROCESS THIS CHARGE.	1,902	3%
THIS PROCEDURE IS INCIDENTAL TO AND CONSIDERED PART OF THE PRIMARY PROCEDURE.	1,859	3%
Total	44,046	72%

Appendix 4

Rx CLAIMS DENIED Paid in 2009

Processed Month	Denied	% of Total
January 2009	15,561	27%
February 2009	10,779	21%
March 2009	11,233	19%
April 2009	9,864	17%
May 2009	9,917	18%
June 2009	10,056	18%
July 2009	10,141	17%
August 2009	9,561	17%
September 2009	9,843	17%
October 2009	11,856	20%
November 2009	10,155	18%
December 2009	11,221	18%
Total	130,187	19%

TOP 10 REASONS FOR DENIAL Paid in 2009 (Rx Only, No Medical)

Rank	Top 10 Reasons for Denial	Volume	% of Total
1	Product/Service Not Covered	45,847	29.4%
2	Refill Too Soon	32,778	21.0%
3	Primary/Secondary Payer Rules	31,676	20.3%
4	Plan Limitations Exceeded	26,866	17.2%
5	Missing/Invalid Dispense As Written Code (DAW)	12,531	8.0%
6	Eligibility Edits	2,066	0.6%
7	Missing/Invalid Pharmacy Field	1,629	0.5%
8	Duplicate Paid/Captured Claim	801	0.5%
9	Prior Authorization Required	430	0.3%
10	Non-Matched NDC Number	401	0.3%
Total		103,455	96%