



**Health Insurance Risk-Sharing Plan (HIRSP) Authority  
Board of Directors Meeting  
August 20, 2007**

**Board Members Present:** Dennis Conta, Joe Kachelski, Michael Gifford, Annette Stebbins, Jay Fulkerson, Carol Peirick, Wayne MacArdy, Eileen Mallow, Luann Simpson, Larry Zanoni, and Deborah Severson (by phone)

**Board Members Not Present:** Pat Jerominski, Dianne Greenley, and Dr. Michelle Bachhuber

**Others Present:** Amie Goldman, Josh Weisbrod, Tom Rust, Jackie Ferris, Teri Malsch, Judy Wanless, Mark Eisenmann, Pam Ellefson, Chris Mead, Tom Radloff, Eric Knabyo, Jennifer Stegull, Cindy Simon, Nancy Wenzel, Tom Engels and Scott Bentley

Dennis Conta called the meeting to order.

**I. Review and Approval of Minutes**

The first order of business was the approval of the June 18<sup>th</sup> HIRSP Board Minutes. Luann Simpson brought to the Board's attention an error in the June 18<sup>th</sup> minutes. Under item number 7, Navitus Specialty Rx, in the second sentence the word "program" was omitted. The sentence should read, "The program is on target for a July 1, 2007 implementation date." The Board approved the minutes unanimously with the noted correction.

**II. Code of Conduct**

The Board decided to defer taking action on agenda item number two, "Code of Conduct." This issue was one of the agenda items at the Executive Committee Meeting that preceded the Board Meeting. There was a discussion among members of the Executive Committee and some suggested language was presented both by staff and Mike Gifford. It was decided to carry the discussion into the next Executive Committee meeting so that consensus might be reached on language regarding the rights and responsibilities of all Board members. Annette Stebbins made a comment that she felt that policyholders were in the minority and it was sometimes difficult to make one's opinion heard.

**III. HIRSP a Year in Review**

Amie Goldman presented the year in review. When the HIRSP Authority was first established, Amie met with each Board member individually asking each to identify areas of interest or priority. Eleven of the items identified by Board members have been accomplished, seven items are in progress, and two items have not been started. (The full list is in the handouts).

Two of the significant goals that have been accomplished, each of which took a lot of time and effort, are the following:

1. Establish provider payment rates using something other than charges as the basis.
2. Adding two plan options for policyholders, a higher deductible plan and an HSA plan.

Two significant items that are in progress are the following:

1. Starting a Disease and Care Management program.
2. Development of policy under the proposal for allowing portability of subsidized policyholders across plan options including the offering of the two new plan options.

The two items that have not been started are the following:

1. Consideration of stratification/underwriting of the HIRSP population.
2. The use of a secret shopper strategy as a quality management tool for customer service.

#### **IV. Fiscal Year 2006-07 Financials**

Tom Rust presented the fiscal year 2006-07 financial highlights. The unanticipated positive performance of HIRSP during the year was primarily due to significantly lower than projected claim costs for medical and pharmacy benefits provided to policyholders, and due to un-budgeted \$4.4 million in Federal grant funding. Total operating revenue was \$181.8 million which was 8% under budget. Total claim costs were \$164.2 million, which were 19% under budget. Administrative expenses were \$6.4 million.

Federal grant funding received in fiscal year 2006-07 was \$4,422,935 million. A portion of the Federal grant funds was originally applied to offset program costs. However, Wisconsin statutes require that Federal grant funds first be used to offset subsidy costs, and that any grant funds in excess of subsidy costs then be used to offset program costs. HIRSP Authority obtained permission from the Center for Medicare and Medicaid Services to apply the entire Federal funding award to offset premium subsidies, and HIRSP Authority financial statements for fiscal year 2006 were restated in July 2007 to account for the entire Federal grant as an offset to subsidy costs.

Total net income in fiscal year 2007 was \$18.6 million, and total retained earnings increased to \$42.2 million as of June 2007 compared to \$23.6 million as of June 2006. The fiscal year 2006-07 change in net retained equity for each of the three HIRSP Authority funding constituencies is summarized as follows:

- Policyholder net retained equity increased by \$8.1 million in fiscal year 2006-07, and equaled \$28.8 million as of June 30, 2007.
- Provider net retained equity by increased by \$4.1 million and equaled \$2.2 million as of June 30, 2007.
- Insurer net retained equity increased by \$5.4 million and equaled \$11.4 million as of June 30, 2007.

Joe felt that the most significant financial result in fiscal year 2006-07 was the increase in policyholder surplus. Dennis asked the Board if anyone would like to share their opinion for the declining number of HIRSP policyholders, why the policy count is falling and what should be done about it. Amie suggested that a large part of the decrease in HIRSP policies in fiscal year 2006-07 was due to the effect of the 2006 introduction of Medicare Part D benefits. The availability of Medicare Part D resulted in the loss of more HIRSP Plan 2 policyholders than had been projected. With Medicare Part D available, fewer people needed HIRSP benefits to wrap around their Medicare policy.

Wayne asked if there was a way to measure those persons who choose not to be insured. Amie said another state has done something interesting, where they require that commercial insurers that

write policies in that state notify the state as to the identity of persons who applied for individual coverage and were rejected, to enable the state to establish a metric of persons who are rejected in the private market, but do not come to the high risk pool. HIRSP does not have data to track the status of people who leave HIRSP and is unable to differentiate those who leave because they have other insurance and those who leave because they are unable to afford to pay HRISP premiums. HIRSP has talked of doing disenrollment surveys and this may possibly be done in the future.

## V. Calendar Year 2008 Budget & Premium Rates

Scott Bentley presented the 2008 budget. Currently there are three HIRSP plan options, but starting January 1, 2008 there will be two more plan options. They are a \$3,500 deductible HSA plan and a \$5,000 deductible plan. The Finance Committee and the Board previously approved maintaining minimum capital and surplus using an adaptation of the Risk Based Capital model that is used by the Office of the Commissioner of Insurance to measure minimum capital requirements for commercial insurers.

The budget presented by Scott is different from the 2008 budget that was presented to the Finance Committee on July 26, 2007 in three aspects. They are:

1. Revised the estimated impact of pharmacy benefit change.
2. Decreased the investment income projection due to declining fund balances.
3. Increased estimated premium subsidy amounts.

On January 1, 2008 the composite change for Plan 1A will be 176.8 % of Industry Standard and the composite change for Plan 1B will be 144.3% of Industry Standard. Because of the introduction of the two new plan options, HIRSP expects to see a decrease in Plan 1A enrollment as policyholders choose a higher deductible plan option with lower premiums.

Amie wanted to go on record to express her concern about what premium rate increases and premiums charges could look like on January 1, 2009. Amie pointed out that in calendar year 2008 HIRSP will maintain rate increases of 15% for Plan 1A and 6% for Plan 1B even though it will be subsidizing premiums using surplus, to bring the policyholders share down from 60% to 55% of plan costs. The result will be that on January 1, 2009, if HIRSP returns to a 60% policyholder funding of program costs, premiums will go up 11% simply due to removal of the subsidy. When you take into consideration the actual losses trend that will be priced into premiums in addition to the end of the 55% plan cost subsidy, HIRSP could be looking at 20% rate increases. Amie doesn't know of a way around this and the HIRSP Board is aware that HIRSP cannot retain excess surplus. Joe wanted to add to Amie's statement that HIRSP has more than the normal amount of financial planning variables, with two new plans that could result in significant shifting of the population, and that HIRSP is taking a best guess as to what ultimate financial effects will result from all of the changes that are underway.

Amie said HIRSP has been discussing whether to include information on the current premiums relative to program costs in the information that goes to policyholders, noting that premium increases are currently less than they would have been due to spending down the surplus to lower premiums. HIRSP will need to evaluate the 2009 budget as early as possible to enable sending out a mailing before the choice of coverage mailing to allow enough time for the consumer to make an educated choice, in case policyholders are going to get a 20% or 22% rate increase. The HIRSP Consumer Committee will be looking at ideas such as providing benefits counseling that could help a policyholder be more proactive in choosing the most appropriate plan option.

Amie said that if HIRSP allows portability for subsidized policyholders 1/1/08 and if more people change to lower premium benefit plans than HIRSP is anticipating, the cost of the subsidy program would decrease. Scott's estimate of subsidies assumes that HIRSP will allow portability on 1/1/08. If HIRSP does not allow portability on 1/1/08 and HIRSP's subsidy population stays in Plan 1A the cost will be higher than what is reflected in the Budget. HIRSP may be forced to make a decision regarding the subsidy portability before the legislature has acted on the issue.

Joe said that the subsidy model presented by Scott was a significant change from what the Finance Committee had available at its previous meeting regarding the increased subsidy rates. HIRSP needs to know what the subsidy cost would be if the subsidized policyholders were locked into Plan 1A. Amie asked Scott, after he was finished with his presentation, to calculate for the Board what the subsidy cost would be if policyholders didn't have portability and what impact it would have on the budget.

The 2008 budget projects \$2.8 million of excess retained earnings because if some of the pricing and claims cost estimates prove to be incorrect the retained earnings might be needed for program funding. The Joint Finance Committee of the legislature approved a change to have the Department of Health and Family Services purchase HIRSP policies for HIV/AIDS patients that currently do not qualify for the DHFS program benefits. The losses to HIRSP for that pilot program could be as much as \$4 million dollars, depending on the number of people in the program. The inclusion of this HIV/AIDS population into the HIRSP population has not been factored into the HIRSP budget since it is an unknown variable at this time.

Scott explained that budgeted plan benefit changes have a total savings impact of \$9.6 million on the 2008 budget. The changes are increased co-pays and removal of out-of-pocket maximum limits for prescription drugs, changes to Navitus commercial reimbursement rates, and the Mail Order/Specialty Pharmacy program, with the majority of the savings coming from the increased co-pays and removal of the out-of-pocket maximum.

Subsidies are higher in 2007-2008 due to premium increases, which result in subsidies increasing to \$9.3 million. The 2008 budget projects a provider reimbursement increase of 5.5% and administrative expenses estimated at \$6.5 million, for total estimated expenses of \$188.2 million.

Joe asked Scott if he could show what the increase in the budget would be if there was no portability. Scott said it looked like it would be around \$2 million dollar increase to the overall subsidy costs.

Dennis asked how many of the Board members were ready to go ahead with the budget and allowing subsidy portability even though the legislature has not approved the HIRSP Bill. He also asked Mike if there was a way to minimize adverse legislative concerns by informing one or more representatives about the nature of the action that HIRSP is taking. Mike said that he would be more comfortable if HIRSP informed the Senate and Assembly leadership and the two key committee members of our desire to move quickly on the budget for the benefit of HIRSP policyholders. Amie and Mike agreed to hold appropriate discussions with legislative representatives.

Amie asked if there could be a motion that if the HIRSP bill was passed by the both the senate and assembly committees and if there is no objection expressed by the minority majority leader in each house to the Board implementing the change regarding portability, that HIRSP would implement this on 1/1/08. Mike objected to the proposed motion because he wasn't sure that either house would take action on the bill. Jay suggested the motion should be to take action to implement portability if the bill is approved by the leadership of both houses and no objections are expressed. Amie wanted it on

record that the Board is aware that, baring no objections from the legislative leadership, HIRSP would be implementing a policy that was not yet provided for by law.

Joe Kachelski made a motion seconded by Wayne MacArdy to approve the HIRSP 2008 Budget. The motion passed unanimously.

## **VI. Timing of Insurer Assessments**

Joe presented to the Board the Finance Committee's recommendation from its July 26, 2007 meeting to approve adoption of a plan for semi-annual calculation and billing of calendar fiscal year insurer assessments. Through 2005 the HIRSP assessments were billed semi-annually. After 2005 DHFS adopted annual assessment billing. HIRSP is changing to a calendar fiscal year starting January 1, 2008, and a semi-annual assessment billing cycle will enable HIRSP to bill assessments based on the most current financial information available regarding commercial insurers. Currently, most of the large insurers remit assessment payments in two installments, and adoption of a semi-annual assessment billing cycle will not have an adverse impact on HIRSP cash flow.

Larry Zanoni made a motion seconded by Carol Peirick to adopt the plan for semi-annual insurer assessments. The motion passed unanimously

## **VII. Modifications to HIRSP Policy & Proposed Calendar Year 2008 Updates**

Josh presented the modifications to the new policy. The three major changes were the following:

1. Remove the prior approval requirements for Plan 2 policyholders.
2. Require policyholders to file an appeal (formerly a grievance) within 30 days of a Grievance Committee decision.
3. Clarify that dental services are covered when the policyholder has a medical condition that requires hospitalization or general anesthesia for dental care and the services can't be performed in the dental office.

There will be two new policies presented at the next Board meeting, the new regular policy and the new HSA policy, along with a recommendation from the Consumer Committee on a redesign of the mental health benefit. The plan options will also be renamed for 2008.

## **VIII. Senate Bill 226 & Assembly Bill 445**

Amie explained that the HIRSP legislative policy agenda originally contained eight items all of which were included in the Governors 2007-09 biannual budget. Five of the eight items were pulled from the budget as non-fiscal items. A bill was drafted which contained those five item plus the changes to the low income subsidy program to allow portability and to set subsidized premiums as a certain percent of the standard rate as discounts. The strategy was to have two identical bills, one in the state Senate and one in the state Assembly. Senator Breske is the primary author on the Senate bill and Representative Lasee is the Assembly sponsor. HIRSP was able to get bipartisan support for the bills.

The bill was scheduled for a hearing and executive session in the Senate for last week, August 15, 2007, and Representative Lasee said that his committee would have a public hearing on the bill in early September. Amie testified last week in favor of the bill, highlighting a few of HIRSP key accomplishment over the past year. The night before the hearing, Amie said she became aware that the Pharmacy Society of Wisconsin (PSW) and Community Pharmacy were going to be testifying in

opposition to the bill; their concerns being related to the mail order pharmacy program. Amie drafted a separate handout that presented the view of the HIRSP Board that the mail order pharmacy is an important tool to manage HIRSP costs.

PSW raised two issues in their testimony. The first issue was that the draft legislation language pertaining to the HIRSP pharmacy network did not explicitly provide that at a minimum all pharmacies would be Medicaid certified. It was intended that the legislation provide for Medicaid certification, and at the rebuttal Amie said that the HIRSP Board would support an amendment that would make that clarification.

The second issue raised by PSW was that the bill did not explicitly say that the HIRSP pharmacy network would comply with chapter 450 of the statutes, which relates to pharmacy licensing. A bill was passed last year that made it more clear that mail order pharmacies from out of state need to be licensed by the Wisconsin Examining Board. Amie said the HIRSP Board would support an amendment that addressed that issue.

Amie stated that the implementation of the specialty drug program has been smooth with only one complaint, which was handled to the policyholder's satisfaction. Amie also let members of the Senate committee know that Act 74 removed the statutory protection for pharmacies which sheltered pharmacies from being liable for making provider contributions to HIRSP. When the Board evaluated the issue of extracting a 20% provider contribution from the pharmacies, it decided it would be detrimental to the plan because many pharmacies would choose to discontinue as HIRSP providers. The potentially large loss of pharmacy providers would leave policyholders without convenient pharmacy services and would be detrimental to the HIRSP program.

Amie said that she and Wayne were going to be meeting with PSW this afternoon after the Board meeting and also with some legislators. Senator Breske has scheduled an executive session for the bill this Thursday. Amie said she is optimistic that the bill will be voted out of the Senate and to the Assembly. Amie wanted to bring to the attention of the Board the timing of the bills. It originally was anticipated that the bill would be considered on the floors of the two houses in September, but now there has been some talk that the Speaker or Senate Majority Leader may hold off on taking up bills during the September session if they are not ready to take up the State Budget.

Wayne expressed concerns that he has heard from PSW that the language for this bill doesn't distinguish specialty pharmacy from the broad mandatory mail order pharmacy. Amie answered that the bill doesn't contemplate mail order pharmacies. Provisions included in the bill were intended to give HIRSP more flexibility in establishing its pharmacy network.

Wayne has a concern about exporting the HIRSP pharmacy business outside the State of Wisconsin and would like to see UW Hospital be allowed to contract with HIRSP in the future. Amie said that she has a meeting scheduled with UW Hospital later this week.

Amie said there were two other amendments to the bill. The legislative council in reviewing the bill had some concerns about delegation of legislative authority to the Board in terms of making exceptions to the definition of group coverage. One amendment would provide that Board decisions on exceptions to the definition of group coverage would be subject to the approval of the Commissioner of Insurance. The second amendment includes the three items that are still included in the proposed state budget in the event that the bill will be acted upon before the state budget.

## **IX. Wisconsin HIV/AIDS Premium Subsidy Program**

Dennis directed the Board to three letters contained in their materials. The first dated July 27, 2007 is from Secretary Hayden, the second is Dennis 's response to Secretary Hayden dated August 2, 2007 and the third is Secretary Hayden response to Dennis's letter. These letters involve the applicability of HIRSP low-income premium subsidies for policyholders enrolled in the State's HIV/AIDS premium assistance program. The agreement reached between the Department and HIRSP applies to people already enrolled in the program and not new enrollees:

- Beginning January 1, 2008, an unsubsidized premium would be charged for individuals with income at or above \$17,000.
- Beginning July 1, 2008, an unsubsidized premium would be charged for individuals with income at or above \$10,000.
- Beginning January 1, 2009, an unsubsidized premium would be charged for individuals with income below \$10,000.

The Executive Committee took action on this and is recommending that the full Board approve this agreement. Jay Fulkerson made a motion to accept this plan, seconded by Deborah Severson. The motion passed unanimously.

## **X. By-Law Resolution Regarding Grievance Committee**

The proposed by-law resolution relates to a power of the Board that needs to be clarified, specifically that the Board chairperson has the right to appoint members to the Grievance Committee from the Board and also members who are not on the Board. Jay asked if there was any requirement for the number of committee members. Amie said the Grievance Committee early on adopted a policy that was presented to the board, and essentially it said that the committee would include from the HIRSP Board one policyholder representative, one representative from the Commissioner of Insurance and the small business representative. Additionally, the committee would include someone familiar with health care administration, a health care clinician, an attorney, and a paid physician who is a non-voting member. Right now the Grievance Committee is made up of three Board members and three non-Board members, and Amie is the tie vote.

Dennis asked for unanimous consent that resolution be adopted. The Board voted to accept the resolution unanimously.

## **XI. WPS & Navitus Performance Standards**

The first and second quarter 2007 performance results for WPS were presented by Amie. Most of the requirements relate to WPS but there are some that relate to Navitus. For the first quarter of 2007 WPS met all the targets on a quarterly basis but missed a monthly target in March.

Whenever a performance measure is not met, WPS let's HIRSP know what action WPS is taking to correct the issue. Some of the performance measures have a financial penalty if they are not met. In the second quarter, WPS missed one quarterly measure that has a financial penalty, Prior Authorizations Requests: WPS had 99.8% performance and the required standard is 100%.

Amie also reported that Navitus and HIRSP have reached an agreement on what the PMPM targets will be for the annual drug cost performance standard. Details of the agreement were distributed in a handout. HIRSP and Navitus have also worked together to improve a tablet splitting program.

Navitus will be paying a one time \$12 fee to a pharmacy when someone enrolls in the pharmacy tablet splitting program.

The voluntary mail order pharmacy program has a little over 200 policyholders enrolled and the initial savings associated with that program are estimated to be \$26,000 for the period July 1, to August 12. HIRSP has 546 members enrolled in the Specialty Pharmacy Program, of whom 80 members are grandfathered with UW Pharmacy and BioScripts until January 1, 2008. HIRSP has had about 100 calls logged about the program, regarding the mailing, how to transfer prescriptions, and if certain drugs will be covered. There was only one issue where Specialty drugs engaged the physician's office.

## **XII. Monthly Reports**

Josh presented the Independent Review and Complaint Report. HIRSP has had 42 grievances for the first seven months of the year; 18 were denied, 23 were approved and one was withdrawn. There were four independent reviews in the first five months of 2007. Of the four reviews, one denial was overturned. There were seven complaints in the period from June 13, 2007 to August 3, 2007. A recent complaint raised a question about the treatment of on-line insurance applications and rejections. Going forward, HIRSP will be accepting an on-line rejection from a private insurer if it includes certain required information.

## **XIII. Disease Management Update – Amie Goldman**

Amie provided updates on the planning for a disease management (DM) program. HIRSP has been working with WPS to improve the DM activities and reporting performed by the Medical Affairs Team at WPS. A targeted DM program has been implemented for policyholders that are undergoing a coronary artery by-pass grafts and individuals with high risk pregnancies. HIRSP has also asked WPS to use their predictive modeling tools to pinpoint high risk policyholders.

HIRSP has six members that make up the DM Advisory Committee

1. Dr. Michelle Bachhuber, Medical Director, Security Health Plan, Member of HIRSP Board.
2. Dr. Michael Ostrov, Medical Director, Group Health.
3. Dr. Eric Christianson, Medical Director, UnitedHealthcare.
4. Joe Kachelski, VP, Information Center Wisconsin Hospital Association, VC of HIRSP Board.
5. Amie Goldman, CEO, HIRSP Authority.
6. Josh Weisbrod, Operations Manager, HIRSP Authority.

A list of the goals of the DM Advisory Committee and a schedule of key dates including putting out a bid for a DM potential vendor was distributed. It was also noted that Josh will be attending the Disease Management Association of America's conference in September.

## **XIV. Committee Reports**

Dennis asked for reports from each Committee.

### **Consumer Committee**

Josh reported the Consumer Committee requested more data on the potential redesign of the mental health/AODA benefit that will be presented to the committee in September. The first meeting of the Consumer Advisory Committee will be before the October Board Meeting.

**Executive Committee**

Dennis reported the Executive Committee has been working on the Code of Conduct and hope to have it ready for the Board at the next HIRSP Board Meeting in October.

**Finance and Audit Committee**

Joe reported that the Finance Committee has been working on the 2008 Budget which was reported earlier in the Board Meeting.

**Legislative Committee**

Mike reported that HIRSP has been working with Flaherty and Associates to put together legislative resource folders, which provide a high-level overview of HIRSP, the progress HIRSP has made over the last year and how HIRSP has effectively managed plan costs.

**Grievance Committee**

Annette reported that the Committee will be losing Beth Ritchie as a committee member. Annette requested that if anyone can suggest a good candidate for the committee that they let someone on the committee know.

**XV. Other Business**

Amie reported that she hopes by the October meeting she will have the findings of the Legislative Audit.

Meeting adjourned 2:55 p.m.