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**Health Insurance Risk-Sharing Plan (HIRSP) Authority  
Board of Directors Meeting Minutes  
December 17, 2007**

**Board Members Present:** Dennis Conta, Michelle Bachhuber, Jay Fulkerson, Michael Gifford, Diane Greenley, Patricia Jerominski, Joe Kachelski, Eileen Mallow, Carol Peirick, Deborah Severson, Luann Simpson, Larry Zanoni and Annette Stebbins

**Board Members Absent:** Wayne MacArdy

**Others Present:** Amie Goldman, Josh Weisbrod, Jackie Ferris, Tom Rust, Judy Wanless, Teri Malsch, Erik Nkabyo, Chris Mead, Brian Anderson, Jonathan Becker, Tom Zander, and Barrie Curci

Dennis Conta opened the meeting. He announced that item ten on the agenda would be moved to item five.

**I. Review and Approval of Minutes (Action Needed) – Dennis Conta**

The minutes stand approved after the correction of the spelling of “Brian Anderson” on page three of the minutes.

**II. Code of Conduct – Jonathan Becker – State of Wisconsin Ethics Board  
Brian Anderson – DeWitt, Ross & Stevens**

Amie introduced Jonathan Becker of the State of Wisconsin Ethics Board. He presented an overview of what is expected of Wisconsin public officials while they serve in their elected or appointed positions.

HIRSP Board Members are all state public officials appointed by the Governor and approved by the State Senate. Jonathan said that as public officials the appointees or their families may not profit from their position, or a business they are associated with may not profit from their office.

The ethics code says that state public officials may not accept food, drink or travel from anyone unless they can show that a specific exception applies.

**Exceptions:**

1. Expenses connected with presenting a talk.
2. Reimbursement of expenses incurred on behalf of HIRSP.
3. Items are made available by the Department of Commerce or the Department of Tourism in connection with certain events sponsored by those agencies.
4. Items offered for a reason unrelated to the appointee holding a public office.

The ethics code provides that a state public official may not retain a gift received from anyone.

**Exceptions:**

1. It is offered for a reason unrelated to holding a public office.

2. It could not reasonably be expected to influence office-holder judgment.
3. It could not reasonably be considered a reward for official action.

An office holder may not use confidential information for private gain and may not act on matters in which he/she has a financial interest.

Conflict of Interest: No official may use his office to obtain anything of substantial value for himself, a member of his family, or an organization which the office holder associated with. An official may not be involved in any matter in which he, a member of his family, or an organization which he is associated with has a substantial interest.

There are two kinds of decisions that an office holder can potentially be involved in, “Quasi-legislative” decisions and “Quasi-judicial” decisions. Quasi-legislative decisions are usually thought of as making broad policy decisions and quasi-judicial decision are usually thought of as making a decision with respect to a certain case or specific organization. In a quasi-judicial decision, if the officeholder’s organization is a potential recipient of money or contracts he can not be involved in action on that decision or discussions leading up to a decision. Quasi-legislative decisions are less common. The HIRSP Authority has already adopted a Conflict of Interest policy. Jonathan said that any time a board member has a question, he or she may contact the State of Wisconsin Ethics Board for their advice, and that such consultation with the ethics board is confidential and is not subject to the open records law.

Brian Anderson of Dewitt, Ross and Stevens, council to the Authority, reported on the Duty of Loyalty. The HIRSP Authority has adopted a Code of Conduct that provides that a board member has a Duty of Loyalty. However, the Code of Ethics supersedes the HIRSP Code of Conduct. The Code of Loyalty comes from the Guide Book for Directors of Non-Profit Corporations. The HIRSP Authority has been established by statute as a quasi-governmental public body that is a corporation, separate from state government. The HIRSP Authority is thereby subject to the whole body of law that applies to corporations and non-profit corporations in particular. The Code of Loyalty comes from the body of law that applies to all corporations. Directors of non-profit organizations are subject to two primary duties, the Duty of Care and the Duty of Loyalty, which apply to all actions that the directors take. Duty of Care requires that a director is to be prepared and to attend meetings, etc. Duty of Loyalty requires that a director exercise his/her powers in good faith and in the interest of the corporation rather than the director’s own personal interests or the interest of other individuals. The director acknowledges that with regard to any corporate activity, the best interest of the corporation must prevail over the director’s interest or the interest of the constituents who selected him or her for office.

### **III. Calendar Year 2008 Choice of Coverage – Amie Goldman**

This is an informational item that has a direct impact on the calendar year 2008 budget. Under state law, HIRSP has an annual choice-of-coverage period once a year during which policyholders may choose their insurance plan. They may choose any plan for which they are eligible. This year HIRSP offered two additional plans to its policyholders, the HSA plan and the \$5,000 deductible plan. All policyholders that are eligible for low income subsidy may use the subsidy for any plan that they are eligible for enrollment. There is a summary of what HIRSP had expected enrollment to look like on January 1, 2008 in the handouts. The budget for Calendar year 2008 was built on assumptions that more policyholders would move from the \$1,000 deductible plan to the other plans than actually took place during the choice-of-coverage period. This had a budgetary impact.

**IV. Calendar Year 2008 Budget Revision (Action Needed) – Joe Kachelski**

Joe Kachelski and Scott Bentley presented the revised budget. The failure of policyholders to move out of the \$1,000 deductible plan to alternative plans will result in HIRSP having unexpected favorable operating results and surplus accumulation that was not provided for in the original calendar year 2008 budget. The Finance and Audit Committee reviewed the budget at its previous meeting. It was decided that nothing could be done for the first quarter of the 2008 calendar year to adjust for the unexpected changes in enrollment. The Finance and Audit Committee reviewed what could be done as an adjustment for the period beginning in the second quarter of 2008. The committee decided to recalibrate premium revenue based on the enrollment from January 1, 2008. Our original budget for 2008 was planned to spend down the surplus and not add to the surplus, but the new enrollment distribution would result in accumulation of additional surplus.

Exhibit 2, presented to the Board, provides a restated 2008 budget with changes that reflect reductions in premium rates from the original budget. Under the proposed restated 2008 budget, on April 1, 2008 the HIRSP 1000 plan would have a decrease in its premiums of 7% from the premiums that became effective on January 1, 2008. The other three plans, HIRSP 2500, HSA Plan and HIRSP 5000 would have an 11% decrease in their premiums from January 1, 2008 premiums, while the HIRSP Medicare Supplement plan would have no change in premium rates.

Amie said that a couple of other changes were incorporated in the new updated budget, including adjustments for the WPS inflationary factors that are built into the WPS contract and WPS change orders that came into effect in the past few months. The restated budget also updated the projected 2008 equity starting point for the three stakeholder groups. The current starting point for policyholder surplus on January 1, 2008 is higher than was anticipated as estimated in August 2007.

The Board discussed the new restated budget. Jay Fulkerson made a motion to accept the restated budget, seconded by Annette Stebbins. The motion passed unanimously. A notice to all policyholders will be sent out to let them know of the premium changes to take place in the second quarter of 2008, and billing statements for the second quarter will reflect revised premium charges.

**V. Presiding Officer Policy (Action Needed) – Dennis Conta**

Dennis presented the following policy as recommended by the Executive Committee.

“It is the policy of the HIRSP Authority Board of Directors (“the Board”) and has always been the policy of the Board to allow all members of the Board, including those presiding over Committee or Board meetings, to make motions, take part in debate and vote. It should be noted that this policy does not supersede the Board’s Conflict of Interest Policy”.

Mike Gifford made a motion to adopt the Presiding Officer Policy, seconded by Annette Stebbins. The motion passed unanimously.

**VI. Simplified Bid By-Law Amendment (Action Needed) – Dennis Conta**

Amie presented the Simplified Bid By-Law Amendment recommended by the Executive Committee. This is asking that Section 8.5 of the Authority’s bylaws be amended to read as follows:

**Section 8.5: Request for Bids.** When the specifications for desired services are clearly known and can be described in a reasonably straightforward manner, the Authority may use a simplified “request for bid” process to request bids for contractual services, if the services are expected to cost no more than \$25,000. Under the simplified process, the Authority shall contact one or

more potential bidders, describe the services needed, and purchase the services from a responsible bidder selected by the Authority. The Authority shall keep a record of the vendors contacted, the date of the contact, the vendor's bid, and other relevant comments.

The Authority's bylaws will be entirely restated to incorporate the above amendment.

Joe Kachelski made a motion to amend section 8.5 Request for Bids as stated above. The motion was seconded by Pat Jerominski. The motion passed unanimously.

**VII. Temporary Provider Certification (Action Needed) – Amie Goldman**

This item was tabled to the next Board meeting in February.

**VIII. Administrative Contract Considerations (Action Needed) – Amie Goldman**

The following recommendations were unanimously approved by the Executive Committee at its November meeting. There are four areas in which HIRSP has external vendor services relationships: Pharmacy Benefit Management, Disease Management, Actuarial Services, and Plan Administration. At this time, HIRSP is party to one direct vendor contract, a Plan Administration Contract with WPS. HIRSP obtains the other external services through vendor contracts that exist between WPS and the sub-contractors Navitus and Milliman. Amie feels that it is important that HIRSP hold the contracts with external vendors directly rather than receive services from subcontractors to WPS. The key reasons for HIRSP to establish direct contracts with external service providers are performance accountability and service and price competitiveness.

The Authority reasoned that it would be a good idea to stagger the procurement of external vendor contracts. Amie's recommendations are shown in the table below which includes extending the contract for WPS through March of 2009. The maximum duration for any contract is five years.

<b>Contract</b>	<b>Procurement Dates</b>	<b>Contract Start</b>	<b>Contract End</b>	<b>Optional Renewals</b>
Pharmacy Benefit Mgmt	Jan-Mar 2008	April 1, 2008	March 31, 2010	3 annual
Disease Management	Feb-May 2008	June 1, 2008	May 31, 2011	2 annual
Actuarial Services	Oct-Dec 2008	January 1, 2009	December 31, 2009	4 annual
Plan Administrator	TBD	April 1, 2008	March 31, 2009	2 annual

There are two additional optional renewal periods after March 31, 2009 to extend the contract with WPS. Amie is recommending that HIRSP make a decision some time this summer about extending the contract with WPS beyond March of 2009. Actuarial services should not disrupt the budget process, consequently the decision should be made sometime between October and December.

The Executive Committee approved the engagement of a consultant to manage the PBM RFP and HIRSP staff issued a request for bid for these services on December 3<sup>rd</sup>. December 13<sup>th</sup> was the deadline for submitting bids. A total of five bids were received and are currently being evaluated.

Larry Zanoni made a motion, seconded by Deborah Severson, to approve these deadlines and also the extension of the WPS contract through March 31, 2009. The motion passed unanimously.

**IX. Pharmacy Benefit Updates – Amie Goldman**

There is a handout that shows savings associated with the HIRSP Mandatory Specialty Pharmacy Program and the Mail Order Program implemented on July 1, 2007. The savings to-date is well below what was expected, and Navitus will be evaluating the reasons for the savings shortfall. Fewer policyholders have been using the mail order services than was expected, and establishing a remedy to that situation will be a topic of discussion with the Consumer Committee and with Navitus.

The HIRSP mail order network was expanded to include five pharmacies as of January 1, 2008: Wal-Mart, UW, Prescription Solutions, Navitus Specialty RX (Special Scripts), and Bio Script. In addition, on January 1, 2008 there will be six pharmacies that will accept mail order rates at retail pharmacy outlets.

Navitus has also negotiated better contracts with lower dispensing fees with the pharmacies AccessHealth, CVS, Kroger, LeaderNet, Medicine Shoppe, Shopko, Target, Thrifty-White, and Wal-Mart. Navitus is still negotiating with Walgreens but the parties have not yet come into agreement. Walgreens is the only pharmacy that does not incorporate minimum co-pay logic into its dispensing system. Walgreens dispensed 27% of HIRSP medications in the last 12 months.

**X. Drug Maximum Out-of-Pocket Analysis (Status Report) – Amie Goldman**

Amie said that when the Executive Committee met in November there were discussions regarding communications the Authority had received directly, and also via Disability Rights and the Department on Aging, from HIRSP policyholders regarding the impact of the new drug maximum out-of-pocket policy. These policyholders felt that the change enacted by the Board was unduly burdensome. The Executive Committee then asked Amie to work with her staff and contractors to evaluate these concerns. The concerns evaluated were the following:

1. The aggregate impact on policyholders to determine how many have no change in out-of-pocket costs, how many will have reduced costs and how many have increased costs, and how much that cost is.
2. What percent of drug spending is represented by policyholder responsibility?
3. The original savings were understated as they did not account for the changes in drug utilization due to the benefit design changes.
4. The largest impact is felt by the HIRSP Medicare Supplement policyholders whose drug cap could go from \$125 annually to no cap.
5. What benefit designs exist in the market place and with other high risk pools?

The final results were expected for this meeting; however, the analysis is not complete. Amie thought it could be completed in time for the Consumer Committee and Consumer Advisory Committee meeting at the end of January, going to the full Board in February.

Dianne Greenly wanted to know if it wouldn't be better to hold off on implementing this policy until April when the new rates take affect. This would give us time to complete the analysis and finalize the policy. Amie said that it has to be implemented on January 1, 2008 because Navitus has programmed their claims payment system to switch HIRSP from using co-insurance to using co-pays. Navitus is also in the process of transitioning to a new claims processing system. They are currently in the middle of the implementation and testing period.

Amie told Dianne that she didn't think this would impact a large number of policyholders in the first quarter of 2008. If the Board did adopt a policy that reintroduced a cap on drug costs for policyholders, HIRSP would hold policyholders harmless for the first quarter costs they had paid above the new caps. Mike Gifford said that he has been contacted by policyholders who are going to incur a 2,000% increase in their drug costs, and he is concerned about moving forward on this issue.

Dianne and Mike discussed the impact on some of the policyholders due to Navitus not being able to make the change by January 1<sup>st</sup>. Amie said that the Board's ultimate decision is presently an unknown, but the Board can always decide to hold people harmless. Amie thought that the number of people that are going to be impacted by this is small enough to handle by holding them harmless retroactively and that this will be easier to manage than trying to get Navitus on December 17 to make a change to HIRSP benefits programming in the middle of Navitus also changing to a new claims payment software system. Chris said making the programming change should be possible, but testing and auditing the change can't be done by January 1, 2008. Teri Malsch agreed with Chris that the change can be made but the auditing and testing can not be completed until after the start of 2008. Amie again said that whatever the Board ultimately decided to do would be retroactive to January 1, 2008, and those policyholders impacted would be held harmless. A check would be cut and sent to them to cover their costs above the new caps if implemented.

Dennis said he is concerned about the integrity of the Authority in making decisions. He said that the Board had gone through the proper steps to make this change in the policy and then discovered from policyholders that it had more impact than originally thought. He thought this issue was two fold: 1). Complete a critical analysis of the problem, which is currently being done, and 2). If we find a flaw in the policy, make appropriate recommendations and issue retroactive payments to the policyholders if applicable. Also, a change to this policy would require a 60 days notice to OCI before the new policy could take affect.

Dianne Greenley made a motion to delay the implementation of the removal of the \$125 cap for the Plan 2 policyholders until April, seconded by Mike Gifford. Jackie was asked to take a roll call vote on this motion. Michele Bachhuber, Dennis Conta, Jay Fulkerson, Patricia Jerominski, Joe Kachelski, Carol Peirick, Deborah Severson and Larry Zanoni voted no. Michael Gifford, Dianne Greenley, Luann Simpson and Annette Stebbins voted yes. Wayne MacArdy was absent and did not vote. The motion failed on a vote of four in favor and eight against the motion.

#### **XI. Provider Payment Update – Joe Kachelski**

Joe Kachelski said that HIRSP has redefined how it processes claims and how it calculates program costs and provider contributions. Through the end of calendar year 2007, HIRSP used billed charges from providers as the basis for program costs. The relationship of billed charges to costs is largely fictional, and provides poor basis to measure the costs of the program. The 20% provider contribution is calculated off of that amount. The same service delivered by different providers is billed at different amounts. HIRSP pays the same amount but each provider is then credited with different contributions to the cost of the plan.

There is a detailed memo in the meeting handouts that summarizes each category of provider (except for pharmacy) and the type of services they provide to HIRSP. The goal is to establish a HIRSP provider payment fee schedule. The work group needed a basis for establishing the new payment structure, and used Medicare or some multiple or fraction of Medicare as a pricing basis. In some cases it was more appropriate that the HIRSP rate structure use Medicaid, but used solely to express the HIRSP fee schedule amount and not used to calculate the HIRSP rate as some multiple of

Medicaid. HIRSP has a specific fee schedule for each particular health service that HIRSP covers. If the program costs to HIRSP are X, HIRSP will pay the provider X minus 20%. The fee schedule will enable HIRSP to obtain the correct provider contribution on an individual claim by claim basis. The reimbursement method and rates also will now be clearer to the providers.

## **XII. Employer and Disenrollment Data – Josh Weisbrod**

Josh explained that WPS had pulled the employer information from the HIRSP enrollee applications beginning January of 2007. Among the 2,300 enrollees, 598 were self employed, 1,005 were unemployed and 67 did not list an employment status. Of the remaining 643 enrollees, several came from the same employer. There were 33 employers representing at least two HIRSP enrollees, three employers contributed four enrollees and four employers contributed three enrollees. The remaining 26 employers each contributed two enrollees. Some employers represented the same company but different locations. Joe asked Josh if there was a way to confirm that these employers do not have insurance coverage for their employees. **They have to file with Medicaid since Medicaid is the payer of last resort.** Josh will try to get access to that data base.

Josh also reviewed a handout describing recent HIRSP disenrollees. From the handout it looks like many low income policyholders are sensitive to pricing so that when premiums go up they drop out. (23% dropped out of Plan 1A when the premiums went up in July). The tables were broken out by HIPPA and Non-HIPPA. HIRSP is planning on using disenrollment surveys in the near future which will give a truer picture of why policyholders leave HIRSP.

## **XIII. State-by-State Comparison Data – Amie Goldman**

Amie announced that she is now on the Board of Directors for NASCHIP and became part of a new committee, the Medical Management Committee. One of the goals of this committee is to come up with a set of metrics that can be used across high risk pools to compare pools. The attached packet contains the initial set of metrics that was put together by an actuary that does work for some other high risk pools and was prepared for the 2007 annual meeting of NASCHIP. HIRSP worked with WPS and Navitus to compile comparable metrics for Wisconsin and added them to the packet information. Utah also developed metric data and we added there data as well.

The Wisconsin high risk pool has a low rate of child membership and the rate will decrease further after the implementation of BadgerCare Plus. Wisconsin also has the oldest high risk pool population and one of the largest high risk pools. The comparative high risk pool data should prove to be very helpful in planning benefit programs in the future.

## **XIV. Monthly Reports – Josh Weisbrod and Tom Rust**

Tom said the data in the financial report is from October. We are continuing on our long term trends with decreasing membership, decreasing premium volume, and decreasing pharmacy claims and an increase in medical claims. Through the first 4 months of the second half of 2007, HIRSP had operating losses of \$3.7 million and lost \$3.8 million in retained earnings. Policyholder's surplus decreased \$1.2 million, provider surplus increased \$1.3 million, and insurer surplus decreased \$4 million.

HIRSP has lost 900 policyholders since October 2006 in Plan 1A. Policyholder appeals for the year so far have totaled 60 with 29 denied and 30 approved and 1 withdrawn. Eleven independent reviews were filed with one overturned, nine upheld and one ineligible request. Josh reported on the six complaints HIRSP received from October 11, 2007 through December 11, 2007. A description of each complaint is attached as a handout.

**XV. Legislative Update – Amie Goldman**

This memo (See attachment) was used to encourage the Wisconsin State Senate to vote in favor of Senate Bill 226. The bill was adopted unanimously and then passed by the Assembly with broad bipartisan support. The governor signed the Bill on December 11, 2007. An article will be included in the next newsletter to thank both Senator Breske and Representative Lasee along with the Governor for all of their hard work on this Bill.

**XVI. Committee Reports – Dennis Conta**

*Legislative Committee* See above

*Finance Committee*

Finance Committee in January will take up a proposed investment policy.

*Strategic Planning Committee;*

The next meeting is scheduled for January 21, 2008 at the Hilton Hotel starting at 10:00 a.m. Everyone on the Board is invited. Dennis also announced that Jay Fulkerson will be chairing this committee.

*Consumer Committee*

The next meeting of the Consumer Committee will be a joint meeting with the Consumer Advisory Committee. It will be at the Hilton Hotel.

*Appeals Committee*

Annette reported that the Appeals Committee is doing a good job and appeals continue to be down from previous months.

**XVII. Scheduling 2008 Meetings**

The new schedule for the HIRSP Board and Committee meeting was presented in a handout. Generally, the meetings are the same as in 2007 but there were conflicts with the February and August Board meetings. Also the Finance and Audit Committee meetings fell on Thanksgiving and Christmas so they were moved a week ahead.

**XVIII. Other Business**

Joe Kachelski made a motion to adjourn the meeting seconded by Annette Stebbins. Meeting was adjourned at 3:04 p.m.