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**Health Insurance Risk-Sharing Plan (HIRSP) Authority  
Board of Directors Meeting Minutes  
December 16, 2009**

**Board Member Present:** Dianne Greenley, Carol Peirick, Joe Kachelski, Dennis Conta, Annette Stebbins, Wayne MacArdy, Jason Klimowicz, Michele Bachhuber, Eileen Mallow, Larry Zanoni and by phone Larry Rambo and Deborah Severson

**Board Members Absent:** Luann Simpson and Wendy Arnone

**Others Present:** Josh Weisbrod, Jackie Ferris, Amie Goldman, Mary Endres, Judy Wanless, Lynn Pink, Bart Hoolehan, Aimee Wierzba, Diann Allsen, Vicki Buckholtz, Sam Austin, Melissa Duffy and by phone Scott Bentley

Dennis called the meeting to order.

**I. Introduction of New Board Members**

Dennis introduced the new board member, Jason Klimowicz of Disability Rights of Wisconsin, who is replacing Dianne Greenley who is retiring from the board. Jason gave a brief history of his background.

Dennis explained that the other new board member, Wendy Arnone, was unable to attend this meeting but will be at the February meeting. Wendy comes to the board from UnitedHealthCare of Wisconsin where she is the Chief Executive Officer. There is one remaining vacancy left to fill on the board and Dennis stated that he hopes to have this vacancy filled by February.

**II. Dianne Greenley's Service Recognition**

Joe Kachelski recognized the wonderful work that Dianne had done during her tenure with HIRSP. Dianne was given a gift in appreciation of her service with the board. Dennis commented that Dianne brought skill, integrity, experience, loyalty and a sense of deep purpose to the board. He then presented Dianne a Certificate of Commendation from the Governor. Dianne thanked the Authority and said that she will miss everyone but feels she is leaving HIRSP in very good hands.

**III. Review and Approval of Minutes (Action Needed)**

Joe Kachelski made a motion to approve the minutes and the minutes were adopted unanimously.

**IV. Presentation of 2008 Financial Audit – Diann Allsen and Aimee Wierzba**

Diann Allsen and Aimee Wierzba from the Legislative Audit Bureau (LAB) presented the HIRSP Authority 2008 Audit Report. Diann thanked the Authority and WPS staff for their cooperation during the audit. Diann said that the LAB was able to issue an unqualified opinion on the financial statements.

Diann said that in the LAB's report on internal controls and compliance there was one issue identified as a control concern. There was a receivable and a related liability of \$2.6 million incorrectly reported for the federal grant. The asset and liability recorded offset each other so there was no effect on net income or the net asset balance. HIRSP corrected the error and implemented a more thorough review process. Also noted in the internal control report was that there were a small number of pharmacy claim overpayments by Navitus. Navitus agreed to credit HIRSP Authority approximately \$16,500 for those claims. Diann said there were no other issues identified.

Michelle Bachhuber arrived.

**V. 2009 Retained Equity and 2010 Budget (Action Needed)**

Amie said that she felt it necessary to revisit the 2010 budget with the board and noted that because of the timeline for setting premiums for the fall Choice of Coverage period the budget adopted by the board in September was based on only two quarters of 2009 experience. She reported that she and staff had noted in November that HIRSP retained equity was increasing when HIRSP had expected it to decrease in the last months of the year. She felt there was enough variation between the expected retained equity and the actual that it was worth while to take another look at the 2010 budget.

Amie said that Milliman was asked to update the 2010 budget using third quarter data and the most recent enrollment. The new data resulted in a new expected surplus and a different trend than what was approved by the board for the 2010 Budget. Amie then asked Scott to walk through the budget exhibits.

Scott first reviewed the updated 2009 projections. Scott said membership declined more than was anticipated for 2009 and HIRSP expenses were 5% lower than originally projected. Originally, the projected member surplus was \$5.4 million. The revised estimate showed \$9.2 million in projected member surplus at the end of 2009. The insurer surplus was originally anticipated at \$500,000. The new projection is at \$1.5 million in surplus. The original provider surplus balance for 2009 was expected to be \$36,000. The new estimate is at \$200,000 below the targeted reserve level.

Scott reviewed the revised 2010 budget. He indicated that the membership is at 200,000 member months which is down from 208,000 member months originally projected for 2010. This represents a 4% decrease from the original projection. Total cost of the program in the approved budget for 2010 was \$166 million and now with updated experience and enrollment it is projected to be \$155 million. This is a little over a 6% decrease in expenditures.

Amie said that when it was first determined that HIRSP would have excess surplus she, Milliman, Joe and staff considered the options. The level of surplus did not warrant sending out checks to members for the second time in two years. As an alternative, HIRSP could lower premiums but would not want to go below 55% of plan costs to prevent a boomerang effect in subsequent years. She noted that another option was changing (increasing) the HIRSP benefits. Since the Strategic Planning Committee meetings the Committee considered providing first dollar coverage for routine and preventive care, but was concerned about the impact on premiums and since lack of coverage for routine/preventive care is a common criticism of the high deductible plans, Amie said that Milliman was asked to model a lower

cost option. . Milliman modeled a \$150 first dollar coverage benefit for routine and preventive care. The cost of this first dollar coverage would be approximately \$1.5 million.

Scott said that if HIRSP chose to use allof the surplus to buy down premiums, HIRSP would be well under the commercial market across its plans. Therefore, the revised budget before the board assumes there will be \$5.3 million in member surplus at the end of 2010.

Amie said that in 2010 HIRSP should conduct an analysis to understand what is driving the lower losses resulting in HIRSP premiums that are competitive with the commercial market where they had closer to150% of the market as little as two years ago.

Scott said in the revised 2010 budget in front of the board included the updated risk-based capital (RBC) requirements for HIRSP and the \$150 benefit change to routine and preventive care. The revised budget also included a reduction of premiums in the second quarter of 2010. The HIRSP 1,000 plan premiums would be reduced by 7.2%, HIRSP 2,500 plan premiums would decrease by 7.5%, and the HSA 3,500 would be reduced by 5.2%. The HIRSP 5,000 plan and the Medicare Supplement plan premiums would not change. Given those changes, the new projected loss ratio for HIRSP in 2010 is 176.1%. The targeted loss ratio is 167%. After the reduction HIRSP composite premiums for the non-Medicare plans would be at 97.7% of the industry standard rate for 2010.

Amie said that the enrollment projections still feel a bit uncertain because there has been a large spike in applications the last couple of weeks.

Larry Rambo commented that because the information was available just before the meeting he didn't feel there was sufficient time to review the materials and was concerned about reviewing and reacting to the new information at the last minute after having gone through a more thoughtful process with the information HIRSP had three months ago. Larry said that since he hasn't been able to look over the information he is not necessarily voting against the revised budget but does not feel comfortable voting for a revised budget.

Dennis asked Amie to comment on Larry's concerns. She said that the she fully understands his concerns and apologized for not having been able to get the information to the board sooner. She felt that even though it was on short notice, because of the time sensitivity of implementing the recommended changes and the possibility of reducing premiums and assessment she felt it important to bring it to the board's attention. That said the decision on the premium reductions could be pushed off until February, and the assessments, if they were lowered, could still be sent out for the first half of the year with adjustments in the second half of the year. She indicated that if the board felt that it needed more time to think about the revised budget recommendations and benefit changes a decision could be made at a later date and then the routine/preventive benefit change would take effect in 2011.

Dennis said he thought that Larry was raising a reasonable point. Dennis suggested that HIRSP look critically at what has been done to set the budget in the past and the amount of time it has taken to address various requirements in order to come up with a budget and determine whether HIRSP can provide more time to properly examine the nature of the budget proposal. For future budgets it would be best to critically examine the process and provide as much time as possible to review the materials. Larry Rambo had to leave the meeting at this point.

Amie said that September is the drop dead date for HIRSP to pass a budget in order for WPS staff to do all of the necessary programming to update the premiums and to issue the choice of coverage mailing that has to occur in October.

Joe said part of the reason it was necessary to revisit the budget is the increasing complexity of the HIRSP plan offerings and the difficulty of predicting enrollment in each plan. He said that while everyone agrees it is important for members to have more choices in coverage, this adds complexity to the budget since member's actual plan selection can be very different than the HIRSP assumptions. Joe said he doesn't know how HIRSP would get that information sooner than they already do, but said that Larry Rambo is right that we are asking the board to make a decision fairly quickly.

Dennis asked Amie and the HRISP staff to prepare for Larry and the entire board a memo that explains the procedures that can and cannot be altered given the requirements discussed earlier.

Larry Zanoni made a motion to accept the changes to the HIRSP 2010 Budget and Annette Stebbins seconded the motion. The motion was passed unanimously by the remaining eight board members. Larry Rambo was not present to vote.

Dianne then thanked the board again and left the meeting.

**VI. Farmers' Health Cooperative and Pre-Existing Condition Waiting Period (Action Needed)**

Amie met with Kelly Johnson of Senator Erpenbach's staff and Melissa Duffy from the Farmer's Health Cooperative of Wisconsin to discuss the HIRSP pre-existing condition waiting period as it would apply to members of the Farmer's Health Cooperative of Wisconsin.

Amie indicated some of the members from the Farmers' Health Cooperative in 2010 may be facing rate increases in excess of 50%, which under state statute qualifies them for HIRSP. The large increase on premium is due to 2010 rate increases and some Cooperative members aging into a more costly premium bracket. Because the coverage offered through the Farmers' Health Cooperative is not employer sponsored coverage they would not qualify as HIPAA eligibles and would face the six month pre-existing condition waiting period under HIRSP. After being made aware of this situation, Senator Erpenbach asked HIRSP to meet with the Farmers' Health Cooperative at his office to see if the six month pre-existing condition waiting period could be waived

Amie said this item is on the agenda without going to committee because it is in line with the directive the board issued staff to analyze options for giving individuals who had coverage before enrolling in HIRSP coverage that was not subject to the waiting period after examining the pre-existing waiting period as part of strategic planning. This would be similar to the actions taken by the board to waive the waiting period for people who came to HIRSP after losing Medicaid or BadgerCare and people who moved from one state high-risk pool to HIRSP. HIRSP has been working to gather data to respond to that board request. HIRSP has revised the HIRSP application to better collect information on the coverage people had or didn't have when they apply to HIRSP.

Joe said he agreed that the Farmers' Cooperative applicants have been continuously insured and these are the people the board was looking to possibly allow to enroll in HIRSP without a

pre-existing condition waiting period. Eileen wanted to know how many people the Farmers' Cooperative premium increases would affect and directed a question to Melissa who replied that she did not know. She thought maybe 20 percent or more of the Cooperative's enrollment.

Jason wanted to know if this was considered individual coverage under the Farmer's HealthCare Cooperative. Eileen said the Cooperative functions much differently than Larry Zanoni's Group Health Cooperative. The Farmers' Cooperative allows a group of like minded people to come together for the purpose of purchasing health insurance rather than Larry's model that employs all the people who deliver the care and runs the cooperative as an insurance model. **The Farmers' Cooperative is treated as a group because in order to purchase insurance they have to use a licensed insurer to do it.** The Insurance Commissioner's only authority is to make sure it is a licensed insurer that provides the insurance and they also certify the geographic area of operation. Eileen said there are about five different cooperatives that operate under this model and this is the only one she is aware of that is experiencing this level of rate increases.

Jason wanted to know if HIRSP was going to waive the six month waiting period for this group would they also waive it for any group that met the same criteria. Amie replied that she hopes to be able to provide the board with better data to determine the potential financial impact to HIRSP of making a significant change to the waiting period policy. She also said that in this circumstance that the waiver of the waiting period should only apply to those cooperative members who had the 50% rate increase and who had a minimum of six months of coverage under the cooperative plan.

Wayne MacArdy arrived.

Larry Zanoni made a motion to waive the pre-existing condition six month waiting period for members with the Farmers' Health Cooperative of Wisconsin who had a 50% or more rate increase and have had insurance coverage for six months. Joe Kachelski seconded the motion. The motion passed unanimously.

## **VII. Presentation of MedTrak Implementation Audit**

Mary explained that the HIRSP Authority had retained Independent Pharmaceutical Consultants (IPC) to perform a post implementation audit of the claims processed through MedTrak Services, the HIRSP pharmacy benefits manager. All claims in the first quarter of 2009 were audited. MedTrak has reimbursed any overpayments that were made that were found as a result of the audit and has put controls in place to prevent future errors. The errors found were immaterial as far as financial impact. The percentage of errors that were found was 0.01%, which is excellent. IPC does recommend doing an annual audit and HIRSP will decide that at a later date.

## **VIII. Pharmacy Update – Bart Hoolehan**

Bart Hoolehan from MedTrak brought the board up to date on plan changes that had been made late in 2009 and plan changes that are scheduled to take place in 2010. In 2009, BadgerCare Plus started on 9/1/09, many J-Codes (injectible drugs) are now paid by MedTrak, the Best-In-Class (BIC) specialty pharmacy network became effective 10/1/09 and a formulary change in the Proton Pump Inhibitor class of medications became effective 10/1/09.

Plan changes that will take effect in 2010 are the \$10/\$40 change to the co-pay structure, a new HSA \$2,500 deductible plan, some medications changed from a tier one to a tier two co-pay, all members will be eligible to receive \$500 in annual smoking cessation medications and a handful of medications will move from formulary to non-formulary status.

**IX. Third Party Administrator (TPA) Procurement Update**

Josh said that HIRSP has received four letters of intent to bid for the TPA service contract, WPS, Core Source, United and Humana. The bids are due this Friday (12/18/09) by 4:00 pm. The scoring team consists of Joe, Carol and Jason along with the HIRSP staff. A recommendation will be made to the board at the February meeting.

**X. Monthly Reports**

Mary said that since most of the financials have already been covered during the budget discussion she would turn it over to Josh. Josh said that appeals and grievances have been steady with one appeal being overturned through an independent review. During the year there have been a total of three appeals overturned through the independent review process.

There have been three complaints from OCI in the time period from 9/4/09 to 12/8/09. The first complaint was related to an application processing error which was corrected, the second was a billing error with a provider which was corrected, and the third was a policy cancellation for nonpayment with the member being offered a one time reinstatement and enrollment in an automatic payment system.

**XI. State and Federal Legislative Updates – Amie Goldman**

Amie said the two HIRSP bills allowing the board to increase the HIRSP lifetime maximum benefit above \$1 million and reducing the required rejection letters from two to one in order to qualify for HIRSP as medically uninsurable were passed and signed into law. One of the pens from the bill signing was sent to the HIRSP member who advocated for the bill's passage with the legislature. As a result of these two bills and HIRSP board action, HIRSP now has a \$2 million lifetime maximum and only needs one letter of rejection to prove medical uninsurability in the commercial market.

Amie said that she had the opportunity to testify at a Committee Hearing for the National Association of Insurance Commissioners (NAIC) last week in San Francisco. Amie included her testimony because it included current senate and house bill information regarding funding for high risk pools. There is \$5 billion dollars in both the senate and house bills to be used for transitional coverage for people who are uninsured and have pre-existing conditions. The time line is very ambitious and would provide improved access to people for coverage until the federal health insurance exchanges become operational. NASCHIP has been advocating for the high-risk pools to play a part in the transition to healthcare reform.

Amie said that her take on all of this is that much of the implementation is going to fall on the insurance commissioners of each state.

Amie also indicated that an article written by Senator Vinehout regarding HIRSP for the Jackson County newspaper was included in the board packet.

**XII. 2010 Board Meetings and Priorities**

Amie indicated that a list of 2010 HIRSP priorities for the board to consider was included in the packet and was compiled based on previous board and committee discussions. Amie invited board members to let her know if there were other issues they felt should be considered as priorities.

There also was a list of proposed dates for the 2010 HIRSP Board meetings.

**XIII. Committee Reports**

Dennis asked if there were any committee reports. Joe said that the Finance Committee has already been covered earlier in the meeting

Jason reported that the Consumer Committee and Consumer Advisory Council met in November and formed a sub-committee of five persons to look at HIRSP outreach.

**XIV. Other Business – Dennis Conta**

There being no other business the meeting adjourned at 2:35 p.m.