

ORDER OF THE  
DEPARTMENT OF HEALTH AND FAMILY SERVICES  
AMENDING RULES

To amend HFS 119.07 (6) (b) (intro.) and tables, and (c) 1. (intro.) and tables, and (c) 2. (intro.) and tables, and (d) (intro.) and tables, and 119.15 (2) and (3) relating to operation of the health insurance risk-sharing plan (HIRSP).

Analysis Prepared by the Department of Health and Family Services

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

One type of medical coverage provided by HIRSP is the Major Medical Plan. This type of coverage is called Plan 1. Eighty-six percent of the 10,790 HIRSP policies in effect in March 2001, were of the Plan 1 type. Plan 1 has Option A (\$1,000 deductible) or Option B (\$2,500 deductible). The rate increases for Plan 1 contained in this rulemaking order increase an average of 3.4%. Rate increases for specific policyholders range from 0.0% to 4.9%, depending on a policyholder's age, gender, household income, deductible and zone of residence within Wisconsin. This increase reflects industry-wide premium increases and takes into account the increase in costs associated with Plan 1 claims. According to state law, HIRSP premiums must fund 60% of plan costs and cannot be less than 150% of the amount an individual would be charged for a comparable policy in the private market.

A second type of medical coverage provided by HIRSP is supplemental coverage for persons eligible for Medicare. This type of coverage is called Plan 2. Plan 2 has a \$500 deductible. Fourteen percent of the 10,790 HIRSP policies in effect in March 2001, were of the Plan 2 type. The rate increases for Plan 2 contained in this rulemaking order increase an average of 3.4%. Rate increases for specific policyholders range from 0.0% to 4.9%, depending on a policyholder's age, gender, household income and zone of residence within Wisconsin. These rate increases reflect industry-wide cost increases.

The Department through this rulemaking order proposes to amend ch. HFS 119 in order to update HIRSP premium rates in accordance with the authority and requirements set out in s. 149.143 (3) (a), Stats. The Department is required to set premium rates by rule. HIRSP premium rates must be calculated in accordance with generally accepted actuarial principles.

The Department through this order is also adjusting the total HIRSP insurer assessments and provider payment rates in accordance with the authority and requirements set out in s. 149.143 (2) (a) 3. and 4., Stats. With the approval of the HIRSP Board of Governors and as required by statute, the Department reconciled total costs for the HIRSP program for calendar year 2000. The Board of Governors approved a methodology that reconciles the most recent calendar year actual HIRSP program costs, policyholder premiums, insurance assessments and health care provider contributions collected with the statutorily required funding formula.

By statute, the adjustments for the calendar year are to be applied to the next plan year budget beginning July 1, 2001. The total annual contribution to the HIRSP budget provided by an adjustment to the provider payment rates is \$19,982,024. The total annual contribution to

the HIRSP budget provided by an assessment on insurers is \$19,617,772. On April 25, 2001, the HIRSP Board of Governors approved the calendar year 2000 reconciliation process and the HIRSP budget for the plan year July 1, 2001 through June 30, 2002.

The fiscal changes contained in this order also reflect the conversion of HIRSP from cash accounting to accrual accounting, as recommended by the Legislative Audit Bureau and the HIRSP Board of Governors. Cash accounting recognizes the costs of claims and expenses when paid. Accrual accounting recognizes the costs of claims and expenses in the time period when first incurred. Basically, HIRSP program liabilities have been understated under the cash accounting methodology. The net effect of the HIRSP conversion to accrual accounting is to provide a more accurate reflection of the program's financial condition.

These proposed rules are identical to emergency rules issued by the Department that became effective July 1, 2001.

ORDER

Pursuant to authority vested in the Department of Health and Family Services by ss. 149.143 (2) (a) 2. 3. and 4., and (3), Stats., the Department of Health and Family Services hereby amends rules interpreting s. 149.143, Stats., as follows:

SECTION 1. HFS 119.07 (6) (b) (intro.) and tables for medical plan policies with standard deductible are amended to read:

HFS 119.07 (6) (b) (intro.) *Annual premiums for major medical plan policies with standard deductible.* The schedule of annual premiums beginning July 1, 2001, for persons not entitled to a premium reduction under s. 149.165, Stats., is as follows:

MAJOR MEDICAL PLAN – Males

Age Group	Zone 1	Zone 2	Zone 3
0-18	\$1,716	\$1,536	\$1,368
19-24	1,716	1,536	1,368
25-29	1,764	1,584	1,404
30-34	1,968	1,788	1,584
35-39	2,292	2,076	1,836
40-44	2,736	2,448	2,184
45-49	3,492	3,132	2,796
50-54	4,644	4,176	3,732
55-59	6,048	5,436	4,848
60+	7,548	6,792	6,036

MAJOR MEDICAL PLAN – Females

Age Group	Zone 1	Zone 2	Zone 3
0-18	\$1,716	\$1,536	\$1,368
19-24	2,232	2,016	1,788
25-29	2,448	2,196	1,944
30-34	2,688	2,412	2,148
35-39	3,060	2,760	2,448
40-44	3,456	3,120	2,760
45-49	3,984	3,588	3,192

50-54	4,680	4,212	3,744
55-59	5,424	4,884	4,344
60+	6,360	5,724	5,076

MEDICARE PLAN – Males

Age Group	Zone 1	Zone 2	Zone 3
0-18	\$1,212	\$1,080	\$ 960
19-24	1,212	1,080	960
25-29	1,248	1,116	996
30-34	1,368	1,248	1,116
35-39	1,608	1,464	1,296
40-44	1,932	1,716	1,536
45-49	2,448	2,196	1,968
50-54	3,264	2,940	2,616
55-59	4,248	3,816	3,408
60+	5,292	4,752	4,236

MEDICARE PLAN – Females

Age Group	Zone 1	Zone 2	Zone 3
0-18	\$1,212	\$1,080	\$ 960
19-24	1,572	1,428	1,248
25-29	1,716	1,548	1,368
30-34	1,872	1,692	1,500
35-39	2,148	1,932	1,716
40-44	2,436	2,184	1,932
45-49	2,796	2,520	2,232
50-54	3,276	2,952	2,628
55-59	3,804	3,420	3,048
60+	4,464	4,020	3,564

SECTION 2. HFS 119.07 (6) (c) 1. (intro.) and tables are amended to read:

HFS 119.07 (6) (c) *Base rates for calculating premium reductions.* 1. (intro.) The annual base rates for calculating premium reductions under s. HFS 119.12 that are applicable to standard risks under individual policies providing substantially the same coverage and deductibles as the plan's major medical plan are as follows beginning July 1, 2001:

MAJOR MEDICAL PLAN – Males  
(Base for Reduced Rates)

Age Group	Zone 1	Zone 2	Zone 3
0-18	\$1,140	\$1,020	\$912
19-24	1,140	1,020	912
25-29	1,176	1,056	936
30-34	1,308	1,188	1,056
35-39	1,524	1,380	1,224
40-44	1,824	1,632	1,452
45-49	2,328	2,088	1,860
50-54	3,096	2,784	2,484

55-59	4,032	3,624	3,228
60+	5,028	4,524	4,020

MAJOR MEDICAL PLAN – Females  
(Base for Reduced Rates)

Age Group	Zone 1	Zone 2	Zone 3
0-18	\$1,140	\$1,020	\$ 912
19-24	1,488	1,344	1,188
25-29	1,632	1,464	1,296
30-34	1,788	1,608	1,428
35-39	2,040	1,836	1,632
40-44	2,304	2,076	1,836
45-49	2,652	2,388	2,124
50-54	3,120	2,808	2,496
55-59	3,612	3,252	2,892
60+	4,236	3,816	3,384

SECTION 3. HFS 119.07 (6) (c) 2. (intro.) and tables are amended to read:

HFS 119.07 (6) (c) *Base rates for calculating premium reductions. 2.* (intro.) The annual base rates for calculating premium reductions under s. HFS 119.12 that are applicable to standard risks under individual policies providing substantially the same coverage and deductibles as the plan's medicare plan are as follows beginning July 1, 2001:

MEDICARE PLAN – Males  
(Base for Reduced Rates)

Age Group	Zone 1	Zone 2	Zone 3
0-18	\$ 804	\$ 720	\$ 636
19-24	804	720	636
25-29	828	744	660
30-34	912	828	744
35-39	1,068	972	864
40-44	1,284	1,140	1,020
45-49	1,632	1,464	1,308
50-54	2,172	1,956	1,740
55-59	2,832	2,544	2,268
60+	3,528	3,168	2,820

MEDICARE PLAN – Females  
(Base for Reduced Rates)

Age Group	Zone 1	Zone 2	Zone 3
0-18	\$ 804	\$ 720	\$ 636
19-24	1,044	948	828
25-29	1,140	1,032	912
30-34	1,248	1,128	996
35-39	1,428	1,284	1,140
40-44	1,620	1,452	1,284
45-49	1,860	1,680	1,488
50-54	2,184	1,968	1,752

55-59	2,532	2,280	2,028
60+	2,976	2,676	2,376

SECTION 4. HFS 119.07 (6) (d) (intro.) and tables are amended to read:

HFS 119.07 (6) (d) *Annual premiums for major medical plan policies with a \$2,500 deductible.* (intro.) In accordance with s. 149.146, Stats., an alternative plan of health insurance involving major medical expense coverage is established with a \$2,500 deductible. After the policyholder satisfies the annual \$2,500 deductible, HIRSP will pay 80% of the covered expenses for the next \$5,000 of covered expenses. Policyholders are required to pay the remaining 20% as coinsurance, up to an annual individual maximum of \$1,000. The annual maximum amount a family with two or more alternative plans will be required to pay for covered expenses is \$7,000. The schedule of annual premiums for coverage under the alternative plan with a \$2,500 deductible is as follows beginning July 1, 2001:

ALTERNATIVE MAJOR MEDICAL PLAN Males

Age Group	Zone 1	Zone 2	Zone 3
0-18	\$ 1,236	\$ 1,104	\$ 984
19-24	1,236	1,104	984
25-29	1,272	1,140	1,008
30-34	1,416	1,284	1,140
35-39	1,656	1,500	1,320
40-44	1,968	1,764	1,572
45-49	2,520	2,256	2,016
50-54	3,348	3,012	2,688
55-59	4,356	3,912	3,492
60+	5,436	4,896	4,344

ALTERNATIVE MAJOR MEDICAL PLAN Females

Age Group	Zone 1	Zone 2	Zone 3
0-18	\$1,236	\$1,104	\$ 984
19-24	1,608	1,452	1,284
25-29	1,764	1,584	1,404
30-34	1,932	1,740	1,548
35-39	2,208	1,992	1,764
40-44	2,484	2,244	1,992
45-49	2,868	2,580	2,304
50-54	3,372	3,036	2,700
55-59	3,900	3,516	3,132
60+	4,584	4,116	3,660

SECTION 5. HFS 119.15 (2) and (3) are amended to read:

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

(3) PROVIDER PAYMENT RATES. The total adjustment to the provider payment rates for the time period July 1, 2001 through June 30, 2002 is \$19,982,024.

The rules contained in this order shall take effect on the first day of the month following publication in the Wisconsin Administrative Register, as provided in s. 227.22(2), Stats.

Wisconsin Department of Health and  
Family Services

Dated: November 28, 2001

By: \_\_\_\_\_  
Phyllis Dubé  
Secretary

SEAL: