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Health Insurance Risk-Sharing Plan

The Health Insurance Risk-Sharing Plan (HIRSP) is a state program that provides medical insurance for individuals who cannot obtain private coverage because of the severity of their health conditions. As of June 30, 2001, 11,460 policyholders were enrolled in the plan, which is funded by general purpose revenue (GPR), the premiums paid by policyholders, contributions from health insurers doing business in Wisconsin, and health care providers serving HIRSP policyholders. In the 1999-2001 biennium, GPR funding for HIRSP totaled \$23.4 million.

The Department of Health and Family Services has oversight responsibility for HIRSP, and a private firm that is also the State's fiscal agent for Medicaid administers the plan on a day-to-day basis. We provided an unqualified opinion on HIRSP's financial statements for fiscal year (FY) 1999-2000.

The Department and the Legislature Are Addressing Prescription Drug Issues

The Department did not have controls in place to ensure that HIRSP policyholders and pharmacies were reimbursed for prescription drugs at HIRSP-allowed rates from July 1998 through January 2001. As a result, we estimate that HIRSP overpaid drug claims by \$5.5 million. On January 29, 2001, the Department reinstated system controls, and it plans to begin recovery of overpayments in fall 2001. However, at least 160 pharmacies have withdrawn from the program because of these efforts. On August 1, 2001, the Department implemented an on-line pharmacy claims processing system that it expects will help to address pharmacy concerns and streamline the drug claims process. Policyholders, however, will still be required to pay the full costs of prescription drugs at the time of purchase and then receive reimbursement after HIRSP processes their claims.

The requirement to pay for covered prescription drugs in full at the time of purchase has presented difficulties for some policyholders. The situation of those with high prescription drug costs who do not have ready access to funds to pay the up-front costs has been of special concern. In 2001 Wisconsin Act 16, the 2001-03 Biennial Budget Act, the Legislature enacted separate coinsurance provisions for prescription drugs. Once these provisions are implemented, the need for policyholders to pay large amounts of cash up-front for prescription drugs will be eliminated.

A Change in the Funding Approach Will Improve HIRSP's Financial Position

In April 2001, the Board of Governors voted to implement an accrual-based funding approach in response to our prior audit recommendations, and following extensive debate. The change from a cash-based to an accrual-based approach will take into account the full costs associated with events that occurred during a plan year and will help to improve the plan's financial position, which showed an accounting deficit of negative \$9.1 million at the end of FY 1999-2000. Beginning in FY 2001-02, funding for the plan will change from a cash-based to an accrual-based approach.

HIRSP's actuary projects that in FY 2001-02, the change from a cash-based to an accrual-based approach will require policyholders, insurers, and health care providers to provide an additional \$16.6 million to fund the accounting deficit that had accumulated through December 31, 2000. An excess policyholder premium reserve, which had accumulated with the cash-based approach, will fund the policyholders' share of \$10.0 million. Health care providers' required contributions are expected to meet their additional share of \$3.3 million, and insurers will fund their additional share of \$3.3 million through their semi-annual assessments.

[full report, PDF file \(526KB\)](#)