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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 September 30, 2002, 15,267 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, EDS, administers the plan on a day-to-day basis.

We provided an unqualified opinion on HIRSP's financial statements for fiscal year (FY) 2000-01. HIRSP showed an accounting deficit of \$8.2 million at the end of FY 2000-01. However, a recent change from a cash-based to an accrual-based funding approach, which takes into account the full costs associated with events that occurred during a plan year, is expected to improve the plan's financial position.

### **Increasing Enrollment and Claims Costs Will Present Continuing Challenges**

HIRSP enrollment and claims costs have been increasing steadily since the Department assumed responsibility for the program in January 1998, and current enrollment levels are the highest in the plan's history. Enrollment increased 28.1 percent during FY 2000-01 and 27.1 percent during FY 2001-02; it is projected by HIRSP's actuary to increase another 19.9 percent in FY 2002-03. Claims costs, which totaled \$67.0 million in FY 2001-02, increased 48.9 percent during FY 2000-01 and 24.2 percent during FY 2001-02.

Increasing enrollment and claims costs are increasing the need for funding. For example, projected FY 2002-03 insurer assessments of \$26.0 million and health care providers' contributions of \$23.6 million are over three times greater than those of FY 1998-99. If these trends continue, pressures likely will increase to control the costs borne by HIRSP's funding parties and to evaluate the effectiveness of the current funding structure.

### **The Department Needs to Remain Diligent in Its Financial Management of HIRSP**

The Department has made good progress in addressing concerns identified in past audits. However, it needs to remain diligent in its financial management of HIRSP. In FY 2000-01, inadequate procedures and communication regarding claims data and the actuarial process led to an estimate of actuarial loss liabilities that was materially in error and required an adjustment of \$1.8 million to HIRSP's financial statements. Further, billing problems suggest that the Department needs to increase its monitoring of \$3.8 million of plan administrator billings.

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[full report, PDF file \(392KB\)](#)