



## Health Insurance Risk-Sharing Plan

### Background

The Wisconsin Health Insurance Risk-Sharing Plan (HIRSP) provided medical and prescription drug insurance for individuals who could not obtain coverage in the commercial health insurance market because of high costs or adverse health circumstances. The HIRSP Authority established the design of the state-based insurance plan known as the HIRSP Plan. It also operated a temporary federal high-risk pool, known as the HIRSP Federal Plan, through a contract with the U.S. Department of Health and Human Services.

Implementation of major provisions under the federal Affordable Care Act reduced the continued need to provide insurance through high-risk pools like HIRSP. As a result, 2013 Wisconsin Acts 20 and 116 included provisions to dissolve the HIRSP Authority and end insurance coverage on March 31, 2014. Act 116 also established February 28, 2014, as the date for transfer of the HIRSP Authority's administrative responsibilities to the Office of the Commissioner of Insurance (OCI), which was to oversee HIRSP's final operations and close out.

To fulfill our statutory requirement, we conducted a final financial audit of HIRSP by auditing the HIRSP Authority's financial statements in accordance with applicable governmental accounting standards; issuing an auditor's opinion; reviewing the HIRSP Authority's internal controls; and reviewing OCI's close out of the financial activity of the HIRSP plans through May 31, 2015.

### Audit Results and Key Findings

We issued an unmodified opinion on the HIRSP Authority's financial statements for the two-month period ended February 28, 2014. We provide an unmodified opinion when audit evidence supports the conclusion that the financial statements provide a fair view of an entity's financial activity in accordance with generally accepted accounting principles. Our audit report also includes the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters.

In reviewing the close out of financial activity for the state-based HIRSP Plan and HIRSP Federal Plan administered by OCI, we found:

- the distribution of the cash balance of the state-based HIRSP Plan to the three primary funding parties followed the proposal that was submitted to the Joint Committee on Finance by OCI on August 22, 2014;
- OCI did not separately account for receipts and disbursements between the state-based HIRSP Plan and the HIRSP Federal Plan in 2015;
- any balance remaining related to the HIRSP Federal Plan is required to be returned to the federal government; and
- drug rebates received by OCI in May 2015 were larger than expected. Therefore, as of May 31, 2015, the two HIRSP plans had a combined cash balance of \$1.4 million.

### Audit Recommendations

We recommend that OCI separately account by plan for 2015 receipts and disbursements, return any remaining balances for the HIRSP Federal Plan to the federal government, work with the HIRSP Advisory Committee on appropriate actions related to the remaining cash balance for the state-based HIRSP Plan, and report to the Joint Legislative Audit Committee by October 15, 2015.



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