STATE OF WISCONSIN
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Report 22-4
May 2022

Wisconsin Healthcare Stability Plan

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Legislative Audit Bureau

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State Auditor

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May 19, 2022

Senator Robert Cowles and
Representative Samantha Kerkman, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Cowles and Representative Kerkman:

We conducted a limited-scope review of the Wisconsin Healthcare Stability Plan, which is administered by the Office of the Commissioner of Insurance (OCI). Under the Plan, a health insurer that provides coverage in the individual market, as opposed to group plans, may be reimbursed for a portion of the claims it incurred in the prior calendar year.

In 2020, OCI reimbursed health insurers $174.3 million for claims incurred in the prior year. We found that OCI's administration and oversight of the Plan complied with legal requirements. However, we recommend OCI improve how it audits the claims of health insurers that request reimbursement under the Plan.

The Plan is intended to reduce healthcare premiums in the individual market, compared to the premiums that would have been charged without the Plan. The Plan is also intended to increase enrollment in the individual market, compared to the level of enrollment that would have occurred without the Plan. In 2019 and 2020, OCI's information indicates that premiums were reduced more than had been expected, but that enrollment was lower than had been expected.

Our review considered the Plan's effects through 2020, which was only the second year that the Plan was in effect. Shortly before our review was completed, OCI obtained information pertaining to the Plan's third year. We recommend OCI report to the Joint Legislative Audit Committee on whether it believes the Plan has met its specified goals.

We appreciate the courtesy and cooperation extended to us by OCI. A response from OCI follows the appendix.

Respectfully submitted,

Joe Chrisman
State Auditor

JC/DS/ss

Wisconsin Healthcare Stability Plan

The Affordable Care Act allows states to apply for waivers to pursue innovative strategies for providing individuals with access to health insurance.

The federal Patient Protection and Affordable Care Act is intended, in part, to increase health insurance coverage among uninsured individuals. Since January 2017, the Act has allowed states to apply to the federal government for waivers to pursue innovative strategies for providing individuals with access to high-quality, affordable health insurance while also retaining certain protections provided by the Act. In order for a waiver to be approved, a state must agree to provide health insurance coverage that:

- is at least as comprehensive as the coverage provided without the waiver;
- is at least as affordable to individuals as the coverage provided without the waiver;
- is available to a comparable number of individuals as without the waiver; and
- does not increase the federal deficit.

2017 Wisconsin Act 138 created the Wisconsin Healthcare Stability Plan.

2017 Wisconsin Act 138, which was enacted in February 2018, created the Wisconsin Healthcare Stability Plan, as defined in s. 601.80, Wis. Stats. Under the Plan, the State covers a portion of the financial risk of health insurers that provide coverage in the individual market, as opposed to group plans. Act 138 requires the Plan to have several goals, including stabilizing or reducing health insurance premium rates in the individual market and increasing the participation of health insurers in the individual market.

Act 138 required the Office of the Commissioner of Insurance (OCI) to implement the Plan if the U.S. departments of Health and Human Services and Treasury approved Wisconsin's waiver. In April 2018, OCI applied for a waiver, which was approved in July 2018, for the five-year period from January 2019 through December 2023. In June 2021, OCI submitted to the two federal departments a letter of intent to extend the waiver through December 2028. As of February 2022, OCI was in the process of preparing a waiver extension application.

Under the Plan, a health insurer in the individual market may be reimbursed for a portion of the claims it incurred in the prior calendar year.

Under the Plan, a health insurer in the individual market may be reimbursed for a portion of the claims it incurred in the prior calendar year. These claims must exceed an OCI-specified minimum amount for a given individual, but the total reimbursement cannot exceed an OCI-specified maximum amount for a given individual. A health insurer must submit claims data to OCI before being reimbursed. In 2019 and 2020, 14 health insurers participated in the Plan. In 2021, 15 insurers participated. All health insurers that enrolled individuals in licensed plans in the individual market since 2019 submitted claims for reimbursement under the Plan. The health insurers are listed in the appendix.

As of February 2022, 15 other states had received waivers, including Alaska, Colorado, Delaware, Georgia, Hawaii, Maine, Maryland, Minnesota, Montana, New Hampshire, New Jersey, North Dakota, Oregon, Pennsylvania, and Rhode Island.

Health insurers indicated to us that OCI effectively administered the Plan.

To complete this review, we interviewed OCI, analyzed OCI's waiver application, evaluated OCI's policies for administering the Plan, reviewed information about claims submitted by health insurers for 2019, assessed OCI's audits of these claims, and reviewed reports OCI submitted to the federal government. We also interviewed 10 of the 15 health insurers participating in the Plan. All 10 health insurers indicated that OCI effectively administered the Plan, including by communicating changes, expectations, and requirements in a clear and timely manner and by responding to questions.

Funding and Expenditures

2017 Wisconsin Act 138 specified that OCI could reimburse health insurers up to $200.0 million annually through the Plan. 2021 Wisconsin Act 58, the 2021-23 Biennial Budget Act, increased this amount to $230.0 million annually, beginning with payments to health insurers in 2023. The Plan is financed primarily through federal funds that are equal to the amount of federal tax credits that will not be paid to individuals because the Plan lowered their premiums. If the available federal funds are less than the total reimbursement requests for a given calendar year, OCI uses state funds up to the statutorily specified total amount. OCI reimburses health insurers in the calendar year after claims are incurred.

Under the Plan, OCI reimbursed health insurers $174.3 million in 2020 and $183.5 million in 2021.

As shown in Table 1, $200.0 million was available annually to reimburse health insurers under the Plan, and OCI reimbursed health insurers $174.3 million in 2020 and $183.5 million in 2021. In both 2020 and 2021, OCI spent all available federal funds. OCI indicated that it did not use any Plan funds to cover its administrative costs. Because the $229.2 million in federal funds available for reimbursements in 2022 exceeds the statutorily specified total, no state funding will be necessary in 2022.

Table 1

Available Funding and Reimbursements for the Wisconsin Healthcare Stability Plan[1]
(in millions)

	2020	2021	2022
Available Funding			
Federal	$127.7	$142.0	$229.2
State	72.3	58.0	n/a
Total[2]	**$200.0**	**$200.0**	**$200.0**
Reimbursements			
Federal	$127.7	$142.0	–[3]
State	46.5	41.5	–[3]
Total	**$174.3**	**$183.5**	–[3]

[1] OCI reimburses health insurers in the calendar year after claims are incurred.

[2] Represents the statutorily specified maximum amount that OCI can reimburse health insurers. In 2023, this amount will increase to $230.0 million.

[3] At the time of our review, OCI had not yet reimbursed health insurers in 2022.

In 2020, OCI reimbursed health insurers for claims incurred for 6,025 individuals. On average, the reimbursements equaled 19.7 percent of these claims.

OCI will calculate the 2022 reimbursement amount after health insurers submit information about their claims in May 2022.

OCI indicated that some federal funds available for 2022 will likely be unspent and, as permitted by the waiver, will be carried over to the subsequent year. If the total amount needed to reimburse health insurers in 2022 exceeds $200.0 million, statutes permit OCI to request that the Joint Committee on Finance increase the statutorily specified amount. OCI will calculate the 2022 reimbursement amount after health insurers submit information about their claims in May 2022.

Administration and Oversight

We analyzed OCI's administration and oversight of the Plan.

We analyzed OCI's administration and oversight of the Plan, including how it:

- determined the parameters for reimbursing health insurers;
- reimbursed health insurers for claims;
- audited a sample of claims submitted by health insurers;
- conducted a public forum annually; and
- submitted periodic reports to the federal government and obtained quarterly reports from health insurers that requested reimbursement for claims.

Reimbursement Parameters

OCI reimburses health insurers based on three parameters it establishes annually.

Statutes require OCI to reimburse a health insurer for a portion of the amount of claims incurred for a given individual for the prior calendar year. This reimbursement amount is based on three parameters that OCI establishes annually, including:

- the attachment point, which is the minimum amount of claims a health insurer must incur for a given individual for a calendar year in order to be reimbursed;
- the reimbursement cap, which is the amount of claims a health insurer incurs for an individual for a given calendar year beyond which additional claims will not be reimbursed; and
- the coinsurance rate, which is the proportion of the amount of claims that a health insurer incurred between the attachment point and the reimbursement cap that will be reimbursed.

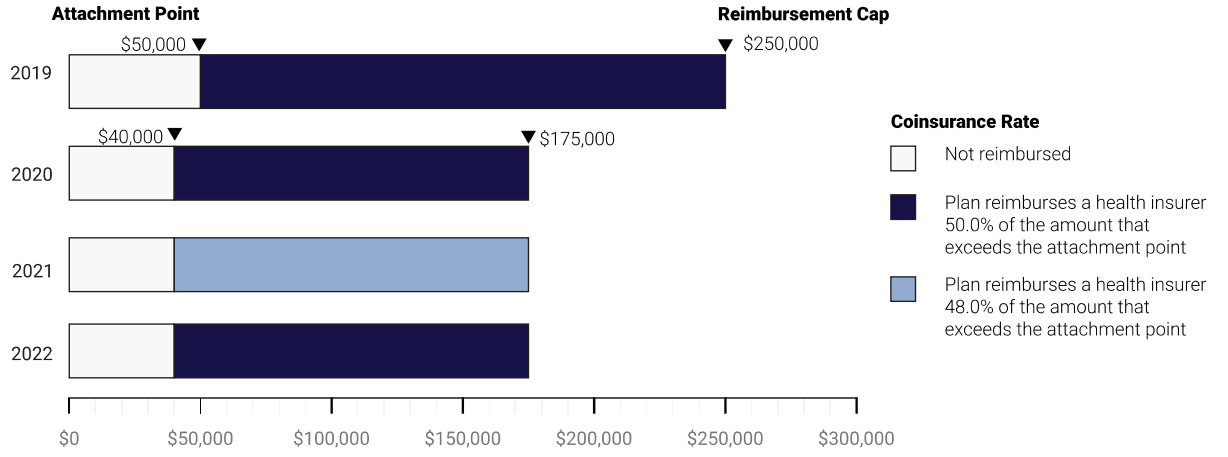
Administrative rules require OCI to establish the reimbursement parameters by May 15 of the year before a given calendar year, based on information provided by an actuary that OCI hires. OCI establishes the parameters based on the actuary's analysis of information such as claims, enrollment, and premiums data from the prior year as well as information about overall market trends. Nonstatutory provisions in 2017 Wisconsin Act 138 specified the parameters for 2019 claims. We reviewed recommendations that OCI received from the actuary

pertaining to parameters for 2020, 2021, and 2022 claims. We found that OCI implemented the actuary's recommendations for each of these three years, and that it did so in a timely manner.

Figure 1 shows the reimbursement parameters for the first four years of the Plan. For example, if a health insurer had paid $80,000 in claims for an individual for 2019, OCI would have reimbursed the health insurer $15,000, which was 50.0 percent of the $30,000 that exceeded the $50,000 attachment point.

Figure 1

Reimbursement Parameters of the Wisconsin Healthcare Stability Plan, by Claims Year[1]



Attachment Point: Minimum amount of claims a health insurer must incur for a given individual for a calendar year in order to be reimbursed.

Reimbursement Cap: Amount of claims a health insurer incurred for an individual for a calendar year beyond which additional claims will not be reimbursed.

Coinsurance Rate: The Plan reimburses a health insurer a proportion of the amount of incurred claims that exceed the attachment point, up to the reimbursement cap.

[1] OCI reimburses health insurers in the calendar year after claims are incurred.

Reimbursing Health Insurers

OCI calculates reimbursements based on annual claims reports that health insurers are required by administrative rules to submit to OCI by May 15 after the year the claims were incurred. Statutes require OCI to notify health insurers by June 30 of the reimbursement that each health insurer is expected to receive, and to reimburse the health insurers by August 15.

We found that OCI and health insurers largely complied with these requirements in 2020. Thirteen health insurers submitted their annual claims reports to OCI by May 29, 2020, which OCI had set as a revised deadline as a result of technical issues and the public health emergency. One insurer submitted its report the following week. OCI notified health insurers of reimbursements by June 30, 2020, and it reimbursed them by August 15, 2020. We reviewed the reimbursement calculations and found that OCI correctly applied the reimbursement parameters when it calculated the reimbursements for each health insurer.

OCI Audits of Claims

Administrative rules require OCI to conduct an annual verification audit to determine whether the claims submitted by health insurers are eligible for reimbursement.

Administrative rules require OCI to conduct an annual verification audit to determine whether the claims submitted by health insurers are eligible for reimbursement. To do so, OCI annually conducts two types of audits. OCI indicated that these Phase I and Phase II audits are its primary means for assessing health insurer compliance with Plan requirements for eligible claims. OCI conducts these audits in the year after health insurers incurred the claims.

OCI conducts a Phase I audit after receiving the annual claims reports but before reimbursing health insurers. The reports indicate the total amount of all claims that each health insurer paid for each individual with eligible claims. Policies require OCI to randomly select a sample of 60 individuals whose claims are represented in the reports. Policies do not require OCI to select more than one individual from each health insurer. OCI requires health insurers to submit information on the amounts they paid for each of the claims associated with the 60 individuals. This information is not required to include documentation to verify the claims but must include the paid claim amounts.

OCI did not follow its policies for selecting the individuals and the claims to include in its verification audit in 2020.

We found that OCI did not follow its policies for selecting the individuals and the claims to include in its verification audit in 2020. We reviewed documentation of the Phase I audit and found that OCI selected 58 individuals rather than the 60 individuals required by its policies. We also found that OCI selected the sample manually rather than by using a statistical tool to select a random sample. We reviewed the information that health insurers submitted for each of the 7,624 claims totaling $12.3 million that they had paid for the 58 individuals. We found that this information supported the total paid claims for all 58 individuals.

After reimbursing insurers, OCI conducts a Phase II audit. Policies for the Phase II audit require OCI to randomly select for each health insurer two individuals whose claims had been included in the Phase I audit. Policies then require OCI to select two claims for each of the selected individuals. Because 14 health insurers participated in the Plan in 2019, the policies required OCI to select for inclusion in its Phase II audit a total of 56 claims associated with 28 individuals. OCI requires health insurers to submit documentation that verifies they had paid these claims.

We reviewed documentation of the Phase II audit that OCI conducted in 2020. We found that OCI selected 46 claims associated with 23 individuals, rather than the required 56 claims associated with 28 individuals. We found that OCI did not select two individuals for each of the 14 health insurers in the Phase II audit because its policies had not required it to select more than one individual from each health insurer in the Phase I audit. Instead, we found that OCI had included in the Phase I audit only one individual from each of five health insurers.

The 46 claims included in the Phase II audit totaled $1.3 million, which was 0.7 percent of the $174.3 million total reimbursed under the Plan in 2020. We found that the documentation provided by the health insurers supported all 46 claims.

OCI should improve how it audits the claims of health insurers that request reimbursement under the Plan.

OCI should improve how it audits the claims of health insurers that request reimbursement under the Plan. First, OCI should follow its policies by randomly selecting the individuals whose claims it will include in its annual Phase I and Phase II audits of claims submitted by health insurers. It can do so by using a statistical tool. Second, OCI should consistently follow its policies by randomly selecting 60 individuals whose claims it will include in its Phase I audits. OCI indicated that it selected 60 individuals for its Phase I audit in 2021, but we did not review the audits associated with that year. Third, OCI should modify its policies to require it to select at least two individuals from each health insurer in its Phase I audits. This will allow OCI to include at least two individuals from each health insurer in its Phase II audit, as required by its policies. Fourth, OCI should attempt to verify as part of its audits at least two claims associated with each of the 60 individuals whose claims are included in a given year's audit. Doing so will provide greater assurance that health insurers accurately represented the claims for which they requested reimbursement.

☑ Recommendation

We recommend the Office of the Commissioner of Insurance:

- *follow its policies by randomly selecting the individuals whose claims it will include in its annual Phase I and Phase II audits of claims submitted by health insurers participating in the Wisconsin Healthcare Stability Plan;*

- *consistently follow its policies by selecting 60 individuals whose claims it will include in its Phase I audits;*

- *modify its policies to require it to select at least two individuals from each health insurer in its Phase I audits;*

- *attempt to verify as part of its audits at least two claims associated with each of the 60 individuals whose claims are included in a given year's audit; and*

- *report to the Joint Legislative Audit Committee by June 30, 2022, on its efforts to implement these recommendations.*

Public Forum

Federal law requires each state with an approved waiver to hold annual forums at which members of the public have an opportunity to comment on the waiver. Each state must publish on its website a forum's date, time, and location, and each state must summarize a forum's results to the Department of Health and Human Services. We found that OCI complied with these requirements for the forums it held in 2019, 2020, and 2021. At the time of our review, OCI had not yet held a forum in 2022.

Reporting

We found that the quarterly and annual reports that OCI submitted for 2019 claims and 2020 claims contained the required information.

The waiver requires OCI to submit quarterly and annual financial and program reports to the Department of Health and Human Services. The quarterly reports must describe the operation of the waiver, as well as operational challenges and plans for and results of any corrective actions. The annual reports must contain information on the progress of the waiver, compliance with the Affordable Care Act, and a summary of the annual public forum. We found that the quarterly and annual reports that OCI submitted for 2019 claims and 2020 claims contained the required information.

Administrative rules require health insurers to submit quarterly reports to OCI within 45 days after the end of each quarter. These reports must include a variety of information, including the total amount of claims that health insurers had incurred for each individual. Administrative rules also require health insurers to submit affirmations signed by authorized representatives who attest that the reports are accurate and complete.

We reviewed the quarterly reports and affirmations submitted by health insurers for 2019 claims. We found that the quarterly reports contained all required information. However, OCI was unable to locate quarterly affirmations for two health insurers, and it indicated that these two health insurers were also unable to locate the affirmations.

Plan Effects

Wisconsin's waiver application specifies that the Plan is intended to:

- reduce healthcare premiums in the individual market during each year of the Plan, compared to the premiums that would have been charged without the Plan; and

- increase enrollment in the individual market during each year of the Plan, compared to the levels of enrollment that would have occurred without the Plan.

Healthcare Premiums

Wisconsin's waiver application indicates that the Plan is expected to make coverage more affordable by reducing the financial risk incurred by health insurers. Reducing financial risk allows health insurers to reduce premiums. All 10 health insurers we interviewed indicated that they would have charged higher premiums if the Plan had not been in place.

Before a given calendar year begins, OCI requires participating health insurers to report how much their insurance rates will change because of the Plan. These rates can vary based on an individual's age, whether an individual uses tobacco products, an individual's county of residence, and whether an individual or a family plan is purchased. We reviewed information that health insurers reported for their 2019, 2020, and 2021 rates. OCI indicated that its actuary reviewed this information for all health insurers and, in some instances, asked health insurers to answer questions about the information.

Compared to the rates health insurers indicated they would have charged if the Plan had not been in place, health insurers reported that their average rates were:

- 11.0 percent lower in 2019;

- 12.2 percent lower in 2020; and

- 13.4 percent lower in 2021.

Other states have also reported that rates were lowered as a result of the waivers. Six states reported that average rates were lowered by a median 17.8 percent in 2019, and 11 states reported that average rates were lowered by a median 16.9 percent in 2020.

After each calendar year, OCI's actuary collects information on the monthly premiums that enrollees in individual healthcare plans paid. These premiums differ from the rates that health insurers had reported before the calendar year began because the premiums reflect the cost of health insurance plans that individuals actually purchased.

Determining the precise effect that the Plan had on premiums is challenging. Premiums are affected by a variety of factors, such as the number of individuals who purchase health insurance, their age, where they live, and the health insurance plans they purchase. In addition, premiums are affected by the extent to which health insurers charge deductibles, copayments, and coinsurance.

OCI's information indicates that enrollees in 2019 and 2020 paid average monthly premiums lower than had been expected.

As shown in Table 2, OCI's information indicates that enrollees in individual healthcare plans in 2019 and 2020 paid average monthly premiums lower than had been expected.

Table 2

Average Monthly Healthcare Premiums, by Calendar Year[1]
Premiums for Individual Healthcare Plans

Calendar Year	Expected Average Premium[2]		Actual Average Premium[3]
	Without the Plan	With the Plan	
2018	–	–	$751
2019	$802	$719	692
2020	752	665	649

[1] According to OCI's information.

[2] Represents the premiums that OCI's actuary expected before a given calendar year began.

[3] Represents premiums before any federal subsidies provided to qualifying low-income individuals.

Enrollment

As noted, the Plan is intended to increase enrollment in the individual market, compared to enrollment that would have occurred without the Plan. Before each calendar year, OCI's actuary estimates enrollment expected in the individual market in the coming year. After each year, OCI's actuary calculates the actual enrollment, based on information reported by health insurers.

Determining the precise effect that the Plan had on enrollment is challenging. Enrollment is affected by a variety of factors, such as the extent to which individuals are able to purchase insurance through group plans provided, for example, by employers. However, all 10 health insurers we interviewed indicated that enrollment in the individual market has stabilized because of the lower premiums they have been able to charge as a result of the Plan.

Enrollment in the individual market was lower than had been expected with the Plan in place in 2019 and 2020.

As shown in Table 3, enrollment in the individual market was lower than had been expected with the Plan in place in 2019 and 2020. OCI's actuary expected enrollment to increase in 2021 and 2022, but information on actual enrollment for these two years was not available at the time of our review.

Table 3

Enrollment in the Individual Market, by Calendar Year[1]

Calendar Year	Expected Enrollment[2]		Actual Enrollment
	Without the Plan	With the Plan	
2018	–	–	192,367
2019	207,932	209,582	195,213
2020	195,617	197,531	193,215

[1] According to OCI's information.

[2] Represents the enrollment that OCI's actuary expected before a given calendar year began.

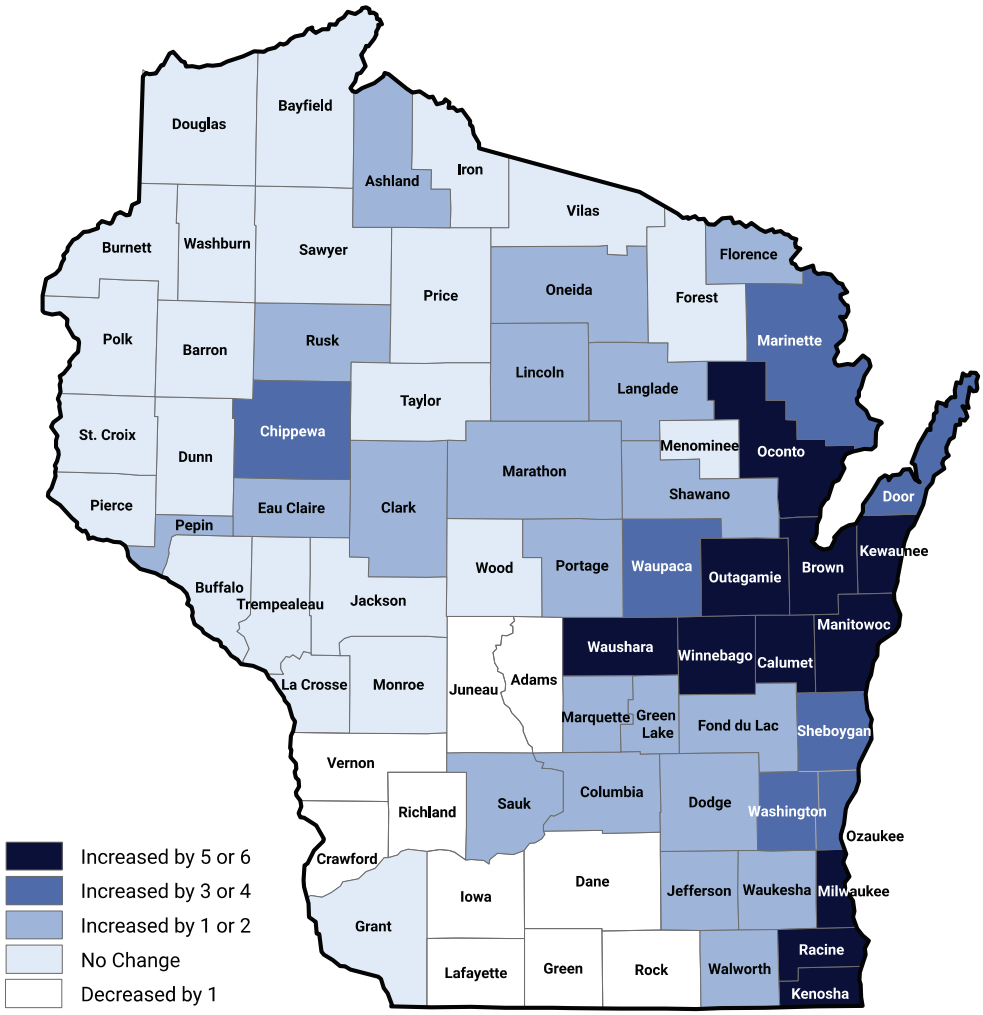
The number of types of plans, such as a health maintenance organization (HMO), offered by health insurers can affect enrollment by providing more options to individuals. As noted, statutes require the Plan to have a goal of increasing the participation of health insurers in the individual market.

The number of types of plans available in the individual market increased in 39 counties from 2018 through 2022.

As shown in Figure 2, the number of types of plans available in the individual market increased in 39 counties from 2018, which was the year before the Plan began, through 2022. These increases occurred largely in the eastern half of the state. The number of types of plans available did not change in 23 counties and decreased in 10 counties.

Figure 2

Change in the Number of Types of Plans Available in the Individual Market, by County[1]
2018 through 2022



[1] According to OCI's information.

The 10 health insurers we interviewed indicated that the Plan affects to varying degrees their decisions to offer coverage in the individual market. Five health insurers indicated that they were unsure whether the Plan's absence would affect their decisions about whether to offer plans in the individual market but that the absence of the Plan would make the individual market less stable. Three health insurers indicated that the Plan's absence would be unlikely to affect their decisions, and one health insurer indicated that the Plan's absence could affect its decision. One health insurer declined to comment on this issue.

Future Reporting

Our review considered the Plan's effects through 2020, which was only the second year of the Plan. Shortly before our review was completed, OCI obtained information pertaining to the Plan's third year. This information may provide a more-definitive indication of the Plan's effects, including on healthcare premiums, enrollment of individuals, and participation of health insurers.

OCI should report to the Joint Legislative Audit Committee on the extent to which the Plan has met specified goals over the Plan's first three years.

OCI should report to the Joint Legislative Audit Committee on the extent to which the Plan has met the goals specified in statutes and Wisconsin's waiver over the Plan's first three years. Statutes indicate that the Plan should have a goal of stabilizing or reducing health insurance premium rates in the individual market and increasing the participation of health insurers in the individual market. The waiver indicates that the Plan is intended to reduce healthcare premiums in the individual market during each year of the Plan and increase enrollment in the individual market during each year of the Plan compared to the premiums and enrollment that would have occurred without the Plan. In addition, OCI should report to the Joint Legislative Audit Committee on the status of its efforts to extend the Plan for another five years.

☑ Recommendation

We recommend the Office of the Commissioner of Insurance report to the Joint Legislative Audit Committee by June 30, 2022, on:

- *the extent to which the Wisconsin Healthcare Stability Plan has met the goals specified in statutes and Wisconsin's waiver over the first three years; and*

- *the status of its efforts to extend the Wisconsin Healthcare Stability Plan for another five years.*

■ ■ ■ ■

Appendix

Appendix

Participating Health Insurers

Wisconsin Healthcare Stability Plan
Calendar Year 2019 through Calendar Year 2021

Aspirus Health Plan, Inc.
Children's Community Health Plan, Inc.
Common Ground Healthcare Cooperative
Compcare Health Services Insurance Corporation[1]
Dean Health Plan, Inc.
Group Health Cooperative of South Central Wisconsin
HealthPartners Insurance Company
Medica Community Health Plan
MercyCare HMO, Inc.
Molina Healthcare of Wisconsin, Inc.
Network Health Plan
Quartz Health Benefit Plans Corporation
Security Health Plan of Wisconsin, Inc.
Wisconsin Physicians Service Insurance Corporation
WPS Health Plan, Inc.

[1] This health insurer began participating in the Plan in calendar year 2021.

Response

Wisconsin Office of the
COMMISSIONER
OF INSURANCE

Tony Evers, Governor of Wisconsin
Nathan Houdek, Commissioner of Insurance

May 16, 2022

Joe Chrisman, State Auditor
22 East Mifflin Street, Suite 500
Madison, WI 53703

Dear Mr. Chrisman,

This letter serves as the Office of the Commissioner of Insurance (OCI) response to the Legislative Audit Bureau's (LAB) audit of how OCI administers the Wisconsin Healthcare Stability Plan (WIHSP). OCI is appreciative of LAB's work and the professionalism LAB auditors demonstrated throughout the entire audit process. OCI accepts all the LAB recommendations and has begun the work to implement the recommendations. While LAB found no issues related to WIHSP claim payments, the LAB recommendations to strengthen OCI's audit review process will positively impact OCI's ongoing efforts to improve the operational integrity of WIHSP.

I would like to take this opportunity to provide background on the impact of WIHSP on the individual health insurance market and address a few areas of the LAB report regarding administration of the program.

WIHSP Impact

Pursuant to 2017 Wisconsin Act 138, OCI developed a 1332 State Innovation Waiver application to allow Wisconsin to leverage federal funding for a state-based reinsurance program (referred to as the Wisconsin Healthcare Stability Plan) designed to offset high-cost claims in the individual health insurance market. A 1332 waiver permits states to pursue innovative strategies for providing residents with access to high quality, affordable health insurance while retaining the protections of the Affordable Care Act. The U.S. Department of Health and Human Services and U.S. Department of Treasury approved Wisconsin's 1332 waiver application on July 29, 2018. OCI operationalized WIHSP beginning January 1, 2019, for claims in Plan Year 2019.

Since its inception, WIHSP has been a key factor in stabilizing Wisconsin's individual health insurance market. Prior to 2019, the individual market was experiencing significant instability with insurers exiting the market, double-digit premium increases, and shrinking service areas with fewer coverage options for consumers. WIHSP has been instrumental in reversing these trends and has resulted in a reduction in premiums during each year that the program has been operational. Wakely Consulting Group, LLC, the entity with which OCI contracts to conduct actuarial analysis related to WIHSP,

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estimated that the program reduced average premium paid by Wisconsin consumers by approximately 10.3%, 11.4%, 12.5%. and 13.2% in years 2019, 2020, 2021, and 2022 respectively.[1]

In addition to premium stability, insurers have re-entered the individual market and have expanded their service areas since 2019. This has increased competition and has expanded consumer choice across the state. There are currently fifteen insurers participating in the individual market, with fourteen of those offering coverage on the Federally Facilitated Marketplace (FFM). In 2022, 27 counties have five or more insurers offering plans, compared to only three counties with that many insurers in 2019. The following maps illustrate the number of insurers offering plans in each county in 2022 compared to 2019.

Number of Insurers Offering Plans in Each County, 2019 vs. 2022

2019

2022

It is important to note that these maps and figures differ from the map included in the LAB report for two reasons. First, the LAB figures are representing the availability of plan types, meaning, whether an insurer was offering plans identified as Health Maintenance Organization, Preferred Provider Organization, Point of Service, or an Exclusive Provider Organization. Some insurers offer more than one type of plan.

Second, the counties on the LAB map that indicate having decreased plan types are counties impacted by the merger of Physicians Plus Insurance Corporation (PPIC) with Unity Health Plans Insurance Corporation and Gundersen Health Plan, Inc. The former PPIC became Quartz Health Insurance Corporation, which was no longer marketed beginning in 2019. Therefore, while coverage options were reduced in those counties, it was the merger that created the resulting reduction in plan options as opposed to insurers leaving those counties.

[1] Wakely Consulting Group, LLC, (2022) "Section 1332 State Innovation Waiver Extension Actuarial and Economic Analysis"

WIHSP Administration

General

Administration of WIHSP is absorbed within OCI's operating budget. Full-time, permanent staff working at OCI prior to the implementation of WIHSP have been utilized to administer the program. This has created staffing challenges as existing staff had to be reallocated from other projects and responsibilities, and as staff involved with the initial set-up and administration of the program have left OCI. Given the amount of funds expended each year, and the complexity of administering the program, OCI intends to request authorization of a full-time WIHSP administrator position.

The WIHSP administrator is responsible for insurer communications, claims management, audit functions, and federal reporting. OCI's accounting staff disburses payments to insurers. An actuarial firm, Wakely Consulting Group, LLC, is retained for assistance in setting the annual payment parameters (attachment point, reinsurance cap, and co-insurance rate), completing federal pass-through reports, and informing the annual report. OCI's staff support of WIHSP operations allows all federal pass-through dollars, along with state general purpose revenue, to directly fund WIHSP claims in order to maximize the positive impact on the market.

Insurer Quarterly Reports and Audit Verification Process

As noted, staff turnover created challenges in administering the program during the first two years, specifically in the areas of record keeping and adherence to WIHSP audit procedures. The LAB noted that insurers are required to submit quarterly reports and affirmations to OCI and that OCI was unable to locate affirmations for two health insurers. The quarterly claim reports do not have an impact on the payments OCI makes to insurers. Rather, OCI collects quarterly claims data to monitor the program and track how closely total WIHSP claims across all insurers are tracking to the program's funding limit. Affirmations are submitted with the claim reports as a means for the insurers to affirm the data is accurate and complete. The employee who was serving as the WIHSP Administrator when the quarterly reports and affirmations were collected in 2019 did not document why the affirmations for the two insurers were not available. That employee is no longer with OCI.

The LAB explained that OCI's phase I audit verification process requires the review of claims for 60 enrollees. The number of claims reviewed per insurer is based on their WIHSP claim volume. Those insurers with a higher WIHSP claim total have more enrollee claims reviewed. OCI uses a formula that calculates the number of enrollee samples per insurer. In 2019, that formula led to a total of 58 enrollees' claims being reviewed. The procedure in that case would have been to add an additional enrollee to two insurers that had lower samples to reach the required 60 enrollees for review. However, the employee who was processing the samples at that time did not complete that step, and the error was not identified until later in the audit process. That individual, who is not the employee referenced in the paragraph above, did not document why the additional step was not taken, which resulted in only 58 enrollee claims being reviewed rather than the required 60 enrollee claims. That employee is also no longer with OCI.

It is also important to note that, as a participant in the Affordable Care Act Marketplace, insurers are required to submit data to the federal Department of Health and Human Services (HHS) which are subject to additional data validation processes, including verification that there are no duplicate claims or claims outside the applicable time period. This is the same data used by OCI for its reviews

and provides another layer of data verification, which further contributes to enhancing WIHSP program integrity.

Individual Market Enrollment

The LAB highlights that enrollment in the individual market was lower than had been expected in 2019 and 2020. Enrollment is difficult to predict, as decisions to purchase coverage in the individual health insurance market take into consideration numerous factors in addition to cost, including the unemployment rate (which impacts access to employer-sponsored coverage), availability of federal subsidies, consumer awareness of plan options, and many others. When determining enrollment estimates, actuaries take into consideration the previous year's enrollment and attrition throughout the year, in addition to anticipated premium levels, economic factors, and policy changes that may impact an upcoming year. According to the actuary retained by OCI, based on data reported by the insurers, Plan Year 2021 individual market enrollment totaled 198,488, representing a sizeable increase from the previous year.

Future Report to the Joint Legislative Audit Committee

OCI has begun the work necessary to implement the LAB's recommendations and will report to the Joint Legislative Audit Committee on the status of our efforts to operationalize those recommendations by June 30, 2022. Additionally, OCI will update the committee on the successes in meeting state and federal goals, along with an update on the status of the request to extend the 1332 waiver beyond 2023.

Overall, the Wisconsin Healthcare Stability Plan has had a favorable impact on stabilizing Wisconsin's individual health insurance market by reducing premiums, increasing plan options and consumer choice, and creating a more competitive marketplace. The recommendations from the Legislative Audit Bureau will help ensure enhanced governance and oversight of WIHSP operations.

Thank you for your review and the opportunity to respond to the final audit report.

Sincerely,

Nathan Houdek
Commissioner