



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, Governor
Theodore K. Nickel, Commissioner

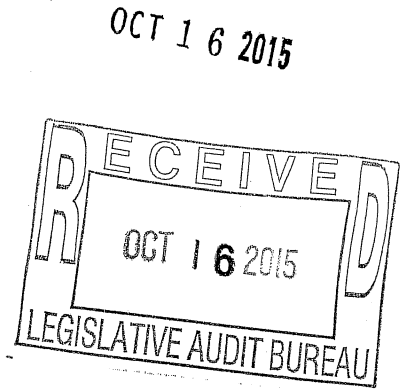
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October 16, 2015

THE HONORABLE ROBERT COWLES
THE STATE SENATE
CO-CHAIR, JOINT LEGISLATIVE AUDIT COMMITTEE
118 S STATE CAPITOL
MADISON, WI 53702

THE HONORABLE SAMANTHA KERKMAN
THE STATE ASSEMBLY
CO-CHAIR, JOINT LEGISLATIVE AUDIT COMMITTEE
315 N STATE CAPITOL
MADISON, WI 53702



Re: Audit Report for the Health Insurance Risk-Sharing Plan (HIRSP)

Dear Senator Cowles and Representative Kerkman:

Please allow this letter to serve as the Office of the Commissioner of Insurance (Office) report to the Joint Legislative Audit Committee regarding the Office's actions to liquidate the assets of HIRSP per my letter of August 17, 2015. The Office did hold a meeting with the HIRSP advisory committee on August 24, 2015 to discuss the options for distribution of the residual HIRSP assets. The committee provided the Office with two options; distribute funds consistent with the prior distribution payment ratio or distribute all residual funds to the health care provider's choice of not-for-profit organization.

Following the August 24, 2015 meeting, the Office's intent was to distribute the current HIRSP surplus using the payment ratio of 60% to members, 20% to participating insurers and 20% to participating providers as was originally recommended by the HIRSP advisory board. To implement this distribution, the Office contacted the HIRSP contractor to obtain a preliminary estimate of time and cost to re-establish the contractor's IT system that was used to maintain the approximate 18,000 HIRSP policyholders' contact and other pertinent information, a system that has not been supported since October 2014.

The contractor's estimate to reinitialize the IT system is \$100,000 without inclusion of the cost of mailing and postage. Additionally, due to the number

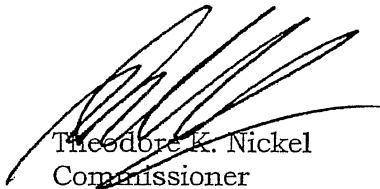
Senator Cowles
Representative Kerkman
Co-Chairs, Joint Legislative Audit Committee
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of current IT system projects, the contractor cannot start this project in the near future.

Based upon the contractor's preliminary estimate of time and cost to re-establish the IT system it became clear that the Office would not be able to distribute the surplus consistent with the above ratio before the statutory dissolution of HIRSP. Therefore legislation to provide a one-year extension of the Office's authority over the HIRSP funds until January 1, 2017 is being proposed. This will allow for an orderly dissolution of HIRSP's assets. If this legislation passes the Office will comply with distributing HIRSP surplus consistent with the above ratio. If the legislation is not passed then the Office will consider all options that are feasible or practical and consistent with the dissolution of an insurance company.

Please do not hesitate to contact our office if you have further questions or need any additional information.

Sincerely,



Theodore K. Nickel
Commissioner

cc: Joe Chrisman, State Auditor