
Washington State Health Insurance Pool

A Study of Eligibility Standards for Pool Coverage

Addendum to 2007 Study

June 15, 2008

Prepared by
Elizabeth Leif, FSA
And John Gabriel



Leif Associates, Inc.
1515 Arapahoe Street, Tower One, Suite 410
Denver, Colorado 80202



Background Information

In 2007, Leif Associates completed a study of the Washington State Health Insurance Pool's (WSHIP's) eligibility requirements. The study was initiated due to the 2007 passage of Senate Bill 5930, which required such a study.

One of the areas of study in the original report was the impact of publicly sponsored enrollees on the pool and the state budget. The study included information regarding three sponsoring organizations: Evergreen Health Insurance Program, Northwest Kidney Centers, and the Department of Social & Health Services. Subsequent to the completion of the original report, we were informed that in addition to the Northwest Kidney Centers, a number of other kidney organizations sponsor enrollees in the Pool. The purpose of this Addendum is to provide an update to the statistics included in the original report to reflect this additional information.

Publicly Sponsored WSHIP Enrollees

- Publicly sponsored enrollees account for approximately 24% of WSHIP's membership. These members have a slightly worse than average health profile, accounting for 27% of WSHIP's claims.
 - In addition to the three sponsoring organizations identified in the original study, there are twelve other kidney centers who sponsor WSHIP members.
 - Combined with Northwest Kidney Centers, the kidney centers sponsor about 76 WSHIP members. About 87% of the enrollees are Medicare-eligible. Medical claims per member per month are generally higher compared to other WSHIP members, but the pharmacy claims are lower. Funding comes from both state and federal funds.
 - The overall impact of the publicly sponsored WSHIP enrollees in 2006 was to increase insurance company assessments by about \$8.6 million. This translates to approximately \$0.24 per member per month added to commercial insurance costs.
-



Impact of Publicly Sponsored Enrollees

Impact of Publicly Sponsored Enrollees

In order to evaluate the impact of the publicly sponsored enrollees on WSHIP, we compared their claim data to that of other WSHIP members. The following tables show the incurred claim experience for 2006 and the first half of 2007, with claims paid through September 2007 and an estimate of IBNR, in total and on a PMPM basis. The tables have been revised to include the additional kidney centers as publicly sponsored enrollees. They were previously included in the All Other category.

All WSHIP Enrollees

	<i>Period</i>	<i>Member Months</i>	<i>Premium</i>	<i>Medical Claims</i>	<i>Pharmacy Claims</i>	<i>Total Claims</i>	<i>Loss Ratio</i>
Total	2006	37,758	\$18,250,241	\$26,809,094	\$22,740,496	\$49,549,590	271.5%
	1H 2007	19,560	\$9,489,165	\$14,961,299	\$11,818,032	\$26,779,331	282.2%
PMPM	2006	37,758	\$483	\$710	\$602	\$1,312	271.5%
	1H 2007	19,560	\$485	\$765	\$604	\$1,369	282.2%

Publicly Sponsored Enrollees

	<i>Period</i>	<i>Member Months</i>	<i>Premium</i>	<i>Medical Claims</i>	<i>Pharmacy Claims</i>	<i>Total Claims</i>	<i>Loss Ratio</i>
Total	2006	9,108	\$4,766,297	\$4,830,764	\$8,535,844	\$13,366,608	280.4%
	1H 2007	4,794	\$2,507,851	\$2,216,018	\$4,776,489	\$6,992,507	278.8%
PMPM	2006	9,108	\$523	\$530	\$937	\$1,468	280.4%
	1H 2007	4,794	\$523	\$462	\$996	\$1,459	278.8%

All Other Enrollees

	<i>Period</i>	<i>Member Months</i>	<i>Premium</i>	<i>Medical Claims</i>	<i>Pharmacy Claims</i>	<i>Total Claims</i>	<i>Loss Ratio</i>
Total	2006	28,650	\$13,483,944	\$21,978,330	\$14,204,652	\$36,182,982	268.3%
	1H 2007	14,766	\$6,981,314	\$12,745,280	\$7,041,543	\$19,786,823	283.4%
PMPM	2006	28,650	\$471	\$767	\$496	\$1,263	268.3%
	1H 2007	14,766	\$473	\$863	\$477	\$1,340	283.4%

A few observations can be made from the tables above:

- While the publicly sponsored members represent approximately 24% of the members, they represent about 27% of the claims, indicating they have a slightly worse health profile than the other members.
- The publicly sponsored members have considerably lower medical claims per member per month but much greater pharmacy claims than the other members.
- The loss ratios of the publicly sponsored members are not substantially different than the other members, since their premium is higher. This could be due to their demographics or plan choices.



Impact of Publicly Sponsored Enrollees

Sponsoring Organizations

Kidney Centers

In September 2007, there were 76 WSHIP members sponsored by a variety of kidney centers. Those kidney centers include: American Kidney Foundation, Central Washington Hospital, Dialysis Consulting Group, Mt. Adams Kidney Center, Mt. Baker Kidney Center, Northwest Kidney Centers, Olympic Peninsula Kidney Center, Olympic View Dialysis Center, Puget Sound Kidney Center, Puyallup Dialysis Center, Sunnyside Dialysis Center, Union Gap Dialysis Center, and Yakima Dialysis Center. The following table shows the claims experience for 2006 and the first half of 2007 of all the kidney centers combined. Claims are on an incurred basis with claims paid through September 2007 and include an estimate of IBNR.

	<i>Period</i>	<i>Member Months</i>	<i>Premium</i>	<i>Medical Claims</i>	<i>Pharmacy Claims</i>	<i>Total Claims</i>	<i>Loss Ratio</i>
Total	2006	778	\$280,737	\$636,813	\$324,147	\$960,959	342.3%
	1H 2007	404	\$151,968	\$276,848	\$175,149	\$451,998	297.4%
PMPM	2006	778	\$361	\$819	\$417	\$1,235	342.3%
	1H 2007	404	\$376	\$685	\$434	\$1,119	297.4%

This group of sponsoring organizations accounts for only about 2% of the total WSHIP membership. The membership is growing, with September 2007 having 17% more enrollees than a year prior. About 87% of the enrollees are Medicare-eligible, which accounts for the lower than average premium. Medical claims per member per month for the eighteen-month period are high compared to other WSHIP members, but the pharmacy claims are lower.

Impact on WSHIP and the Insurance Market

Since WSHIP is primarily funded by assessments on insurance carriers, the losses experienced due to publicly sponsored enrollees is borne by the commercial insurance market. The table below shows the WSHIP financial results, with and without these enrollees.

		<i>2006 Actual</i>	<i>Without Publicly Sponsored Enrollees</i>
Revenue	Earned premium	\$18,250,241	\$13,483,944
	Excess loss ratio receipts	\$717,409	\$717,409
	Federal grant awards	\$2,432,464	\$2,432,464
	Investment income	\$404,148	\$404,148
	Total revenue	\$21,804,262	\$17,037,965
Expenses	Medical incurred claims	\$26,809,094	\$21,978,330
	Pharmacy incurred claims	\$22,740,496	\$14,204,652
	Administrative costs	\$2,196,666	\$2,196,666
	Total expenses	\$51,746,256	\$38,379,648
Net Loss		\$29,941,994	\$21,341,683

The comparison above indicates that publicly sponsored enrollees added approximately \$8.6 million to WSHIP losses in 2006, which is about 29% of total losses. The losses are assessed to



Impact of Publicly Sponsored Enrollees

insurance carriers and passed through to insurance consumers. In 2006, there were 35.3 million member months of commercial coverage (counting stop loss lives at 1/10 as required by law). The \$8.6 million in publicly sponsored enrollee cost added approximately \$0.24 per member per month to commercial insurance costs.

Impact on State Budget

- **Kidney Centers**. In 2006, the kidney centers paid \$281,000 in premium to WSHIP. The individuals they sponsored received \$961,000 in health care, a difference of about \$680,000. The kidney centers receive funding from the state's Kidney Disease Program, which helps low-income residents with the costs of kidney disease. The Department of Social & Health Services administers this program for persons with gross income at or below 200% of FPL. Presumably, in the absence of being able to sponsor individuals in WSHIP, the additional cost to the state for these patients would be approximately \$680,000 per year, if the state's provider contracts were comparable to WSHIP's.