



SOUTH DAKOTA RISK POOL

FISCAL YEAR 2009

SEVENTH ANNUAL REPORT TO THE SOUTH DAKOTA LEGISLATURE

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GOVERNANCE

The South Dakota Legislature convened on June 26 and 27, 2003 for a special session requested by Governor M. Michael Rounds to consider legislation that would establish the South Dakota Risk Pool. On June 27, 2003, Governor Rounds signed the enabling legislation that was passed by the South Dakota Legislature.

The FY09 Risk Pool Governing Board members	
Chairperson Kathi Mueller Governors Office	Dave Hewett Health Care Facility & Providers
Vice-Chairperson Tom Martinec Department of Health	Randy Moses Division of Insurance
Janet Griffin Insurance Carrier	Dennis Studer Bureau of Personnel
Larry Iversen Department of Social Services	

Advisory Panel Members	
Dr. Mary Carpenter Health Care Provider	David Owen Employers
Bob Clark Insurance Producer	Damian Prunty Lay member
Representative R. Blake Curd Legislative Representative	Jean Reed Health Care Facility
Senator Jason Gant Legislative Representative	Mike Shaw Insurance Carrier
Dr. Tom Huber Health Care Provider	Barb Smith Health Care Provider
Lonnie McKittrick Insurance Producer	Rick Stracqualursi Health Care Facility
Cindy Morrison Health Care Facility	Cheryl Stone Self Insurer & Employers
Mike North Insurance Carrier	

Representative Curd replaced Senator Kathy Miles as the appointee for the House of Representatives.

OPERATIONS

The South Dakota Risk Pool has been operational since July 28, 2003. The South Dakota Bureau of Personnel under Commissioner Sandra Zinter administers the Risk Pool. Administrative functions include but are not limited to: application eligibility determination, initial point of contact for all Risk Pool inquires, customer service, premium collection, day to day management, and oversight of the plan. The program is overseen by Risk Pool Program Manager Jill Kruger with assistance from Kamala Kittle and additional services provided by Melissa Klemann, Division of Insurance, and Mary Keeler, Bureau of Finance and Management.

The creation of the South Dakota Risk Pool established the methodology to allocate the risk and cost to Risk Pool enrollees, the state, insurance carriers, insurance producers, medical providers, facilities, and pharmacists. The methodology included the premise that Risk Pool members would pay a higher than average premium, the agents would receive a lower than normal commission, and the state, the providers, and the carriers would have a financial partnership in the Risk Pool. The specific contribution categories are as follows:

Risk Pool Contributions				
Fiscal Year	Physicians¹	Hospitals¹	Provider Total	Insurance Carriers
FY04	\$350,271	\$ 411,187	\$761,459	\$781,766
FY05	\$852,338	\$1,072,100	\$1,924,438	\$839,645
FY06	\$800,662	\$1,420,304	\$2,220,966	\$855,450
FY07	\$892,295	\$1,116,149	\$2,008,444	\$862,311
FY08	\$967,381	\$1,467,242	\$2,434,623	\$860,721
FY09	\$1,146,620	\$2,121,135	\$3,267,755	\$810,193
Totals	\$5,009,567	\$ 7,608,117	\$12,617,685	\$5,010,086

Risk Pool Contributions				
Fiscal Year	State General Funds²	Administrative Costs³	Federal Funds	Total Government
FY04	\$1,998,508	\$70,000	\$1,000,000	\$3,068,508
FY05	\$501,494	\$70,000		\$571,494
FY06	\$502,610	\$70,000		\$572,610
FY07	\$600,411	\$70,000	\$1,098,428	\$1,768,839
FY08	\$707,168	\$70,000		\$777,168
FY09	\$710,475	\$70,000	\$724,609	\$1,505,084
Totals	\$5,020,666	\$420,000	\$2,823,037	\$8,263,703

¹FY04 Physician Hospital breakouts are estimated numbers.

²Includes State funding of a \$1,500,000 reserve fund.

³Administrative Costs: \$70,000/year are based on the estimated extra staffing costs for legal, other administrative, and board member time.

Note: To determine the financial contribution by providers, the difference between 85% of the billed charges (an average insurance company network discount) and the amount actually payable to providers for Risk Pool enrollees was calculated.

ENROLLMENT

The Risk Pool is providing coverage to those individuals who lost their creditable coverage through no fault of their own and make application to the Risk Pool within sixty-three days of losing coverage. Additionally, by securing federal funds and the enactment of SB 200 (2006), the Risk Pool has been able to allow individuals to enter the pool based on their having health insurance premiums at least 200% of the Risk Pool premiums. The target population is those individuals who are in closed blocks of business and whose premiums are spiraling upward. As of July 1, 2009, legislation will allow uninsurable children to join the Risk Pool (SB 109).

There were 632 members in the Risk Pool at the end of FY09. Since SB 200 was passed, 71 people have enrolled based on that eligibility. There have been 1,079 members who have discontinued Risk Pool coverage since the inception.

Termination of coverage is primarily due to enrollees obtaining creditable coverage through another source. One hundred nine applications have been denied because the applicant did not meeting eligibility requirements and 199 applicants have been denied because the applicant did not complete the application process. The enrollment chart delineates the number of members by Fiscal Year (FY) and member's reason for termination from the plan.

Enrollment at Year End	All Years	FY09	FY08	FY07	FY06	FY05,FY04
Number of members	1,711	632	669	719	689	586, 485
Reasons for Termination	All Years	FY09	FY08	FY07	FY06	FY04,FY05
Medicare	424	71	101	87	81	84
Obtained other insurance	321	78	88	70	38	47
Per enrollee's request	183	5	17	50	42	69
Non payment	42	8	10	9	8	7
Deceased	39	6	12	5	10	6
Other	20	4	5	3	1	7
Medicaid	18	2	0	0	4	12
Moved out of state	19	9	2	3	2	3
Cannot afford rate increase	13	11	2	0	0	0
TOTAL	1,079	194	237	227	186	235

As of June 30, 2009, the member population of the Risk Pool consisted of 312 males and 320 women, with 9.5% being tobacco users. Approximately 62% of the Risk Pool enrollees are age 50 or older. The Risk Pool offers three plans to members. The plan type chart outlines the plans, deductibles, and members enrolled in each plan type.

Plan Type	Deductible	Members at Year End
Plan A	\$1,000 deductible	265 (42%)
Plan B	\$3,000 deductible	244 (39%)
Plan B with HSA option	\$3,000 deductible with health savings account option	34 (5%)
Plan C	\$10,000 deductible	89 (14%)

CLAIMS

The claims for medical benefits are administered by DakotaCare Administrative Services. There is a delay between the time medical services are provided and the time the claim for services are submitted for payment. Due to the normal lag in payment of claims, paid claims data does not accurately reflect all of the claim expenses that have actually been incurred, but not reported (IBNR). During FY09 \$4,816,208* was paid for medical services with an additional \$725,772 in estimated IBNR. Express Scripts is the Risk Pool's Pharmacy Benefit Manager. Pharmacy claims are submitted electronically at the time the services are rendered. In FY09 \$1,964,977 was paid in pharmacy benefits.

**The FY08 paid claims included claims incurred in FY08 but paid in FY09.*

EXPENSES

Operating expenses and expenditures, other than claim benefit payments, totaled \$423,486 during FY09. The expenses category included costs for contracting for medical management, claims processing services, agent commissions, and other miscellaneous expenses.

ASSESSMENTS

Annually insurance carriers are asked for an updated report based on the number of covered lives for the preceding calendar year. Assessments to insurance carriers are set at \$0.25 per member per month. The total amount received for the FY09 carrier assessment based on calendar year 2008 lives was \$810,193.

Legislation which takes effect on July 1, 2009, will increase the carrier assessment to \$0.35 per member per month.

PREMIUMS

In accordance with South Dakota legislation, Risk Pool premiums are actuarially based on 150% of the average in force premiums charged by the three carriers with the largest number of individual health benefit plans in the State of South Dakota during the preceding year. Risk Pool premiums are collected by using automatic withdrawal from member's checking or saving accounts unless other arrangements have been made with the Risk Pool Administrator. Premiums received during FY09 were slightly over \$4,440,000. The average rate increase for premiums from FY08 to FY09 was 3.4%. However, within the various premium age bands there was a decrease 2.4% in one band up to a 21.6% increase in another band.

MEDICAL MANAGEMENT & INTERVENTION

Medical management services are administered by Health Care Medical Technology, Inc. (HCMTI). Enrollees are triaged into medical and disease management programs based on information submitted at the time of application and yearly updated health risk assessments. HCMTI has 13 distinct disease management programs and an enrollee may be involved in more than one program. The metabolic syndrome program, which involves a combination of diabetes, cardiac, or obesity, has 33.01% of the Risk Pool membership enrolled in it.

Enrollment of Disease Management Programs		
Asthma	34	5.48%
Cardiac	154	24.80%
Case Management	120	19.32%
Diabetes	30	4.83%
High Cost Claims	34	5.48%
High Risk Pregnancy	0	0%
Mental Health	73	11.76%
Metabolic Syndrome	205	33.01%
Oncology	30	4.83%
Pharmacy	176	28.34%
Spine	85	13.69%
Transplant	4	0.64%
Weight	20	3.22%

The HCMTI FY09 Annual Report reflected savings of \$271,243 to the South Dakota Risk Pool. These figures include hard savings from disease management programs along with pharmacy savings, case management, and benefit reduction savings.

GRIEVANCES & APPEALS

The South Dakota Risk Pool has grievance and appeal procedures in place. The Risk Pool Governing Board reviewed one appeal since the last annual report concerning eligibility.

2009 LEGISLATION

There were three bills passed during the 2009 South Dakota legislative session that had bearing on the operation of the South Dakota Risk Pool. Senate Bill 19 made mini COBRA more in line with COBRA. It also created a Risk Pool safety net for those individuals who have not had 12 months of continuous coverage and who will now not be offered continuation. Senate Bill 20 changed the Risk Pool lifetime maximum benefit from \$1 million to \$ 2 million, which includes medical and pharmacy charges. Senate Bill 109 allowed uninsurable children to join the Risk Pool. Additionally, it changed the carrier assessment from \$0.25 to \$0.35 per member per month. There was a roll out campaign in June for the advertising of the uninsurable children's program that included radio and television public service announcements. A brochure was produced outlining the uninsurable children's eligibility. It was provided to medical organizations, insurance agents, and other interested parties.

RISK POOL FUND CONDITION STATEMENT 06/30/09

	GENERAL	FEDERAL	OTHER	TOTAL
Appropriation	\$ 710,480	\$ 547,650	\$ -	\$ 1,258,130
Premiums			\$ 4,440,003	\$ 4,440,003
Carrier Assessments			\$ 810,193	\$ 810,193
Interest			\$ 272,431	\$ 272,431
Refund of Prior Years Expense			\$ 108,646	\$ 108,646
Total Revenues	\$ 710,480	\$ 547,650	\$ 5,631,273	\$ 6,889,403
Expenditures				
Personal Services				
Risk Pool	\$ 85,475		\$ 6,140	\$ 91,615
Board				\$ -
Total Personal Services	\$ 85,475	\$ -	\$ 6,140	\$ 91,615
Operating Expenses				
Travel	\$ -		\$ 5,355	\$ 5,355
Contractual	\$ 137,265		\$ 183,295	\$ 320,560
Supplies	\$ -	\$ 906	\$ 5,050	\$ 5,956
Claims Medical	\$ 177,026	\$ 490,732	\$ 4,148,450	\$ 4,816,208
Claims - Pharmacy	\$ 310,709	\$ 56,012	\$ 1,598,256	\$ 1,964,977
Total Operating Expenses	\$ 625,000	\$ 547,650	\$ 5,940,406	\$ 7,113,056
Total Expenditures	\$ 710,475	\$ 547,650	\$ 5,946,546	\$ 7,204,671
Other Fund Cash Balance 06/30/08			\$ 5,514,412	\$ 5,514,412
Risk Pool Available	\$ 5	\$ -	\$ 5,199,140	\$ 5,199,145
Risk Pool Reserve Available	\$ -	\$ -	\$ 1,774,748	\$ 1,774,748
Total Available	\$ 5	\$ -	\$ 6,973,888	\$ 6,973,893

* Medical claims are paid at 135% of Medicaid. Therefore total paid claims to medical providers reflect a reduction in payment for providing treatment to enrollees. The difference between 85% of billed charges and 135% of Medicaid is determined to be the provider contribution.

Bureau of Personnel
South Dakota Risk Pool Fund
Statement of Revenues, Expenses, and Changes in Net Fund Assets
For the Year ended June 30, 2009 and For the Fiscal Year Ended June 30, 2008, and 2007

	FY 2007	FY 2008	Unaudited FY 2009
Operating Revenue:			
Premiums	\$ 3,820,942	\$ 4,146,354	\$ 4,457,106
Carrier Assessments	834,060	861,517	869,517
Other Revenue	0	1,607	108,646
Interest and Dividends	388	736	399
Total Operating Revenue	4,655,390	5,010,214	5,435,668
Operating Expenses:			
Personal Services and Benefits	56,788	74,930	91,474
Travel	3,501	3,304	5,418
Contractual Services	345,202	309,792	332,620
Supplies	0	0	6,266
Insurance Claims	6,037,704	5,010,693	6,603,092
Total Operating Expenses	6,443,194	5,398,719	7,038,870
Operating Income (Loss)	(1,787,804)	(388,505)	(1,603,202)
Non-operating Revenue (Expense):			
Interest Income	394,370	489,041	458,627
Other Expense/Income	(63,077)	(37,474)	(2,924)
Grant and Other Income	1,098,428	0	547,650
Total non-operating Revenue (Expense)	1,429,720	451,567	1,003,353
Transfers			
Operating Transfers In *	600,411	707,168	710,475
Net Transfers	600,411	707,168	710,475
Change in Net Assets	242,327	770,230	110,626
Beginning Net Assets	4,883,595	5,125,922	5,896,152
Prior Period Adjustment	0	0	(7,492)
Ending Fund Balance	\$ 5,125,922	\$ 5,896,152	\$ 5,999,286

*Represents the State's annual general fund appropriation.

**Bureau of Personnel
South Dakota Risk Pool Fund
Statement of Net Assets
June 30, 2009, June 30, 2008, and 2007**

Assets	FY 2007	FY 2008	Unaudited FY 2009
Cash and Cash Equivalents	\$ 7,034,617	\$ 7,609,210	\$ 7,487,654
Accounts Receivable	0	0	34,156
Grants Receivable	0	0	0
Securities Lending Collateral	1,220,636	677,761	0
Interest and Dividends Receivable	76,133	77,481	67,435
Total Assets	8,331,386	8,364,452	7,589,245
Liabilities			
Current Liabilities:			
Accounts Payable	50,131	48,410	63,210
Accrued Liabilities	4,618	5,340	4,710
Compensated Absences Payable	2,567	2,649	2,832
Policy Claim Liabilities *	1,118,182	903,865	725,772
Due to Other funds	0	0	5,280
Securities Lending Collateral Liability	1,220,636	677,761	0
Deferred Revenue	807,006	827,904	785,633
Total Current Liabilities:	3,203,140	2,465,929	1,587,437
Noncurrent Liabilities:			
Long Term Compensated Absences Payable	2,324	2,371	2,522
Total Liabilities	3,205,464	2,468,300	1,589,959
Net Assets			
Unrestricted Net Assets	5,125,922	5,896,152	5,999,286
Total Net Assets	\$ 5,125,922	\$ 5,896,152	\$ 5,999,286

*At year end the Policy Claims Liability is calculated by the actuarial firm of Oliver Wyman.

The financial statements are prepared in conformity with generally accepted accounting principles (GAAP) applicable to government as prescribed by the Governmental Accounting Standards Board (GASB).