



Scott Walker, Governor
Theodore K. Nickel, Commissioner

Wisconsin.gov

Legal Unit
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STATEMENT OF SCOPE
OF A PROPOSED RULE

Agency #145 Office of the Commissioner of Insurance
Chapter Ins 57, Wis. Adm. Code, relating to care management
organizations and affecting small business

Rule Type: Emergency
X Permanent
Both Emergency and Permanent

1. Detailed description of the objective of the rule:

The proposed objective of the rule is to:

- 1. Correct a reference error in s. Ins 57.06, Wis. Adm. Code.
2. Review and revise the working capital and restricted reserve requirement calculations for Care Management Organizations (CMO) with the Wisconsin Department of Health Services (DHS). The proposed rule may modify the basis of the calculation and the minimum requirements for working capital and restricted reserves.

The resulting rule is intended to ensure that CMO requirements are reflective of the cash flows required to meet operational needs, the organizations actual experience, and are based on required expenditures rather than projected budget expenditures.

- 3. Evaluate and revise the business plan requirements for CMOs who are seeking a renewal of their annual permit. The proposed rule may differentiate the annual business plan submission requirements between initial and renewal permits.

2. Description of existing policies relevant to the rule and of new policies proposed to be included in the rule and an analysis of policy alternatives; the history, background, and justification for the proposed rule:

- 1. Currently, s. Ins 57.06, Wis. Adm. Code makes reference to s. Ins 9.05 (3), Wis. Adm. Code, which provides requirements for Defined Network Plans. This reference is incorrect, and will be changed to the correct CMO requirement.

2. The existing rule prescribes that working capital shall be maintained of at least 3% of projected annual capitation over the contract period, and restricted reserves shall not be less than the sum of the following:
 - a) 8% of the first \$5 million annual budgeted capitation revenue
 - b) 4% of the next \$5 million annual budgeted capitation revenue
 - c) 3% of the next \$10 million annual budgeted capitation revenue
 - d) 2% of the next \$30 million annual budgeted capitation revenue
 - e) 1% of annual budgeted capitation revenue in excess of \$50 million

The proposed rule would change the following:

- The basis of the calculations from using projected annual capitation and annual budgeted capitation for working capital and restricted reserves, respectively, to using the Family Care service revenues, excluding member obligation and other third party service revenues, earned in any 12-month period.
- Implement a minimum requirement or floor for working capital and restricted reserves.

In addition, the proposed change may result in the reduction of the 3% requirement for working capital.

3. The existing rule prescribes the same business plan requirements for initial and renewal permitting of CMOs. The proposed rule may provide clarification of the requirements for initial permitting of CMOs participating in a Family Care Program region and renewal permitting for those CMOs that have been participating in a Family Care Program region for multiple years.

3. Detailed statutory authority for the rule (including the statutory citation and language):

The statutory authority for this rule is ss. 227.11 (2) (a), and 601.41 (3), Wis. Stats., that provides for the commissioner's rule making authority in general. Also, s. 648.10 (1), Wis. Stat., states that the commissioner may "promulgate rules that are necessary to carry out the intent of the chapter, including, after consulting with the department, standard for the financial condition of care management organizations." The changes that will be proposed follow consultation with the Department of Health Services and address standards for the financial condition of CMOs.

4. Estimates of the amount of time that state employees will spend to develop the rule and of other resources necessary to develop the rule:

200 hours and the Department of Health Services contracted professional accounting and actuarial services.

5. List with description of all entities that may be impacted by the rule:

The proposed rule changes will only affect Care Management Organizations permitted under Ch. 648, Wis. Stat.

6. Summary and preliminary comparison of any existing or proposed federal regulation that is intended to address the activities to be regulated by the rule:

The Office is unaware of any proposed or existing federal regulations that are intended to address the activities to be regulated by the proposed rule change.

7. Anticipated economic impact of implementing the rule (note if the rule is likely to have a significant economic impact on small businesses):

The impact of the proposed rule change is anticipated to be minimal. These changes are intended to lessen the regulatory burden on CMOs by adjusting the basis of the financial requirements to use actual results versus budgeted amounts and by clarifying the filing requirements for initial and renewal permitting.

This rule is not anticipated to have any impact on small businesses other than CMOs.

A significant economic impact on small businesses?

yes
 no

The local/statewide economic impact of the rule?

minimal or none (< or = \$50,000)
 moderate (\$50,000--\$20,000,000)
 significant (>\$20,000,000)

Contact person: Julie E. Walsh, julie.walsh@wisconsin.gov, (608) 264-8101

Theodore K. Nickel
Commissioner of Insurance
Office of the Commissioner of Insurance

August 2, 2012

Date Submitted to Governor



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, Governor
Theodore K. Nickel, Commissioner

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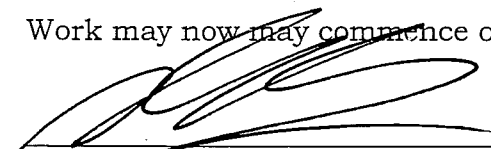
October 15, 2012

Section Ins 57, Wis. Adm. Code, relating to care management organizations and affecting small business

Statement of Scope of a Proposed Rule

In accordance with s. 227.135 (1) and (2), Stats., I hereby certify that I am the individual with the policy-making powers for the Office of the Commissioner of Insurance, that the above-listed Statement of Scope was published in the Wisconsin Administrative Register No. 681 on September 30, 2012, and that I approve of this statement of scope.

Work may now commence on this proposed rule.



Theodore K. Nickel, Commissioner of Insurance
Office of the Commissioner of Insurance

Attachment: 1 copy Statement of Scope of a Proposed Rule



SCOTT WALKER
OFFICE OF THE GOVERNOR
STATE OF WISCONSIN

P.O. Box 7863
MADISON, WI 53707

September 13, 2012

Ted Nickel
Commissioner of Insurance
125 South Webster Street
Madison, Wisconsin 53703-3474

RE: Statement of Scope for Modifications to INS 57 relating to care management organizations

Dear Commissioner Nickel,

I hereby approve the Statement of Scope submitted on August 2, 2012, pursuant to Wisconsin Statutes § 227.135, in regards to a rule modifying Chapter INS 57 of the Wisconsin Administrative Code. You may send the Statement of Scope to the Legislative Reference Bureau for publication pursuant to Wisconsin Statutes § 227.135(3).

Sincerely,

Scott Walker
Governor