



2015 ANNUAL REPORT

Washington State Health Insurance Pool

Providing health benefits to Washington residents who were denied individual coverage or are unable to obtain comprehensive coverage.





P.O. Box 1088
Stanwood, WA 98292

May 2016

Honorable Jay Inslee, Washington State Governor
Honorable Mike Kreidler, Washington State Insurance Commissioner
Members of the Washington State Legislature
Members of Washington State's Congressional Delegation
Washington State Health Insurance Pool Member Plans
Washington State Health Insurance Pool Brokers and Agents
Interested Persons and Organizations

On behalf of the Board of Directors of the Washington State Health Insurance Pool (WSHIP), I am pleased to present this Annual Report. The report summarizes the Pool's operations and accomplishments for calendar year 2015, including the Board's study and recommendations about WSHIP's future that were submitted to the legislature in October 2015.

Of note, a bill to implement one of the Board's recommendations did not pass during the 2016 legislative session. This recommendation would have extended coverage for the small number of high risk enrollees who remain in WSHIP's non-Medicare plans beyond the scheduled discontinuation date of December 31, 2017. The Board is concerned that some of these enrollees may be left without coverage because of their undocumented status or inability to pay the premium without the assistance of a third party sponsor. We are hopeful this recommendation will be reconsidered during the 2017 session.

With regard to WSHIP's Medicare-eligible plans, the study found no improvements in access to Medicare supplements for beneficiaries who are unable to pass Medigap health screening or obtain a Medicare Advantage Plan. As such, the Board recommended no changes to WSHIP's Medicare program which is currently open to new enrollment and does not have a scheduled discontinuation date.

Overall, WSHIP experienced a 10.4% decrease in enrollment during 2015. Total enrollment declined from 1,737 in 2014 to 1,556. At year-end, enrollment in WSHIP's non-Medicare plans totaled 505, and 1,051 were enrolled in a WSHIP Medicare plan. WSHIP's non-Medicare plans are closed to new enrollment, and approximately 80% of the enrollees in those plans have transitioned to new coverage options. Our Medicare-eligible plan remains open to enrollees who are unable to obtain comprehensive supplemental coverage or a Medicare Advantage Plan. Many of these enrollees are under age 65 and eligible for Medicare because they have End Stage Renal Disease (ESRD).

WSHIP's total claims costs decreased 7.9% from \$49.5 million to \$45.6 million. Assessments to Member Plans were \$34 million in 2015. WSHIP assessments for 2016 are currently projected to be \$34.5 million.

WSHIP looks forward to continuing its work with policy makers on coverage issues for high risk individuals. WSHIP's Executive Director, Sharon Becker, is available to answer your questions or provide additional information. Please contact Sharon at (360) 671-2101 or by email at sbecker@wship.org. I may be contacted at (509) 264-1248 or by email at spkoos@hotmail.com.

Sincerely,

Shaun Koos, Chairman of the Board

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About WSHIP

WSHIP is a nonprofit health plan providing health benefits to Washington residents denied coverage because of their medical status or unable to obtain comprehensive coverage. WSHIP has offered benefit plans for individual coverage as well as Medicare supplemental coverage.

With the implementation of health reforms in 2014, WSHIP's non-Medicare plans were closed to new enrollment and the majority of WSHIP's enrollment today is Medicare enrollees. Many of these Medicare enrollees are under age 65 and have End Stage Renal Disease (ESRD).

Created in 1987 by the legislature, WSHIP is overseen by a Board of Directors that represents consumers, small employers, large employers, health care providers, agents, and Member Plans. The Insurance Commissioner or designee is an ex-officio, non-voting director.

By law, premiums are at least 10% higher than the average in the market. Premiums currently cover about a fourth of claims costs; Member Plans pay the remaining costs. WSHIP is not state-funded.

WSHIP's non-Medicare plans are scheduled to be discontinued on December 31, 2017. There is no scheduled discontinuation date for WSHIP's Medicare-eligible plans.

EXECUTIVE SUMMARY

The Washington State Health Insurance Pool (WSHIP) has served as a safety net for individuals who have been denied health insurance coverage because of their medical status or are unable to obtain comprehensive coverage. Established by the legislature in 1987, WSHIP has served two distinct populations: 1) uninsurable residents who are not eligible for Medicare or Medicaid; and 2) residents who are covered by Medicare but are unable to purchase Medicare supplement or Medicare Advantage plans. With the implementation of the Affordable Care Act (ACA) in 2014, insurance companies are required to accept individuals with pre-existing conditions; however, the ACA did not change the marketplace rules for Medicare supplement or Medicare Advantage plans. In total, WSHIP provided coverage to **1,556** “high risk” individuals as of December 31, 2015, most with complex or chronic health conditions. This enrollment represents an overall **decrease of 10.4%** from 2014. Total claims costs for WSHIP decreased 7.9%. Dialysis and drugs to treat HIV/AIDS account for a significant portion of total claims costs.

Non-Medicare: WSHIP’s non-Medicare plans are closed to new enrollment. 505 enrollees remained in these plans at year-end. Of those, 264 are individuals with HIV/AIDS who are sponsored by the Evergreen Health Insurance Program (EHIP). By law, WSHIP’s non-Medicare plans must be discontinued on December 31, 2017.

Medicare: WSHIP’s Medicare plans provided supplemental coverage to 1,051 enrollees in 2015. These plans remain open to Medicare-eligible individuals unable to obtain supplemental coverage or a Medicare Advantage Plan, and there is no scheduled discontinuation date.

Key Facts & Figures

Enrollment

- Total WSHIP enrollment as of 12/31/15: **1,556** (10.4% decrease from 2014)
 - Non-Medicare Plans: 505 (32% of total enrollment)
 - Medicare Plans: 1,051 (68% of total enrollment)

Total Revenue		Total Expenses	
▪ Premiums	\$45.6 million	▪ Medical Claims	\$47.6 million
▪ Assessments	\$11.6 million	▪ Rx Claims	\$30.2 million
▪ Other	\$34.0 million (est. \$0.93 pmpm*)	▪ Administration	\$15.4 million
	\$ 2.2 thousand		\$ 2.0 million (4.2%)

* pmpm refers to those covered in the insured market in Washington on the basis of which carriers were assessed

Top Diagnoses and Drug Therapies

- Top diagnoses by medical claims costs were related to the treatment of kidney disease
- 7 of the top 10 drugs by pharmacy claim costs were for HIV/AIDS therapy
- 53.1% of total pharmacy claim costs were for HIV/AIDS medications

Cost Containment

- Provider Network Savings: \$23.7 million
- Care Management Program Savings: \$502,000
- Pharmacy Network and State Pharmacy Assistance Program Savings: \$9.8 and \$4 million

EXECUTIVE SUMMARY

Key Accomplishments

- Conducted a study pursuant to RCW 48.41.240(5) entitled, “WSHIP After the ACA: A Study of High Risk Populations with Washington State Health Insurance Pool (WSHIP) Coverage and Barriers that Remain in Accessing Comprehensive Coverage Alternatives.” The Board submitted its study and recommendations about the future of WSHIP to the legislature in October 2015.
- Continued our communication plan to help enrollees understand the Affordable Care Act (ACA) and new coverage options available in the Exchange, private market, and expanded Medicaid.
- Received an extension of our 2014 federal grant funds to use for premium subsidies (\$446,000) during 2015.

Future Considerations

WSHIP’s policy agenda for 2016 focuses on the findings and recommendations in the study that was requested by the legislature concerning the populations that may need ongoing coverage through the Pool. The recommendations reflect the broad representation of the WSHIP Board which includes consumers, small employers, large employers, providers, agents, and Member Plans, and the Office of Insurance Commissioner. Public input was also an important component of the study.

Approximately 500 non-Medicare enrollees are scheduled to lose their WSHIP coverage on December 31, 2017. The Board is concerned that some of these enrollees may be left without coverage because they are undocumented or unable to pay their premium without the assistance of a third party sponsor whom carriers are not required accept. Half of these enrollees have HIV/AIDS. The others have kidney disease, cancer, or other serious chronic or complex conditions. Their average claims costs are over \$5,000 per member per month. The Board recommended amending RCW 48.41 to continue WSHIP coverage for these enrollees beyond the scheduled discontinuation date.

No changes were recommended for WSHIP’s Medicare program which consistently covers approximately 1,000 Washington residents who are unable to obtain Medicare supplement or Medicare Advantage plans. Many of these enrollees are under age 65 and have End Stage Renal Disease (ESRD). Additional recommendations included keeping the current funding structure for WSHIP, and potentially expanding the State’s Alien Medical for Dialysis and Cancer Treatment program to cover other serious medical conditions and post-transplant care.

The Board looks forward to continuing its dialogue with policymakers about the coverage needs of high risk individuals and the future of the Pool in this post-Affordable Care Act (ACA) landscape.

History and Purpose of the Pool

WSHIP is the high risk health insurance pool for the state of Washington. It was created by the state legislature to offer insurance coverage for state residents who are rejected for coverage in the individual market. WSHIP was established under the Washington State Health Insurance Access Act of 1987 (RCW 48.41), which was substantially amended in 2000 after the state's individual insurance market had collapsed in 1999 as a result of guaranteed issue enacted in 1994. The following description of the Pool is based on the act as amended, which describes legislative intent as:

1. To provide access to health insurance coverage to all residents of Washington who are denied health insurance
2. To provide a mechanism to ensure the availability of comprehensive health insurance to persons unable to obtain such insurance coverage on either an individual or group basis directly under any health plan

The statute has been amended several times since 2000. Most recently, the statute was amended in 2013 to address provisions of the Affordable Care Act (ACA) that took effect on January 1, 2014 that prohibit carriers from denying individual coverage due to pre-existing conditions.

The modifications to WSHIP's statute effective January 1, 2014 included: 1) elimination of the Standard Health Questionnaire; 2) changes to WSHIP's eligibility criteria for its non-Medicare plans; 3) a requirement to discontinue WSHIP's non-Medicare plans on December 31, 2017; and 4) a directive for the Board to revisit its study of eligibility completed in 2012 with another review of the populations that may need ongoing access to coverage through the Pool. The Board submitted its study and recommendations to the legislature in October 2015.

Structure and Administration of the Pool

WSHIP is a nonprofit organization exempt from federal income tax under Section 501(c)(26) of the Internal Revenue Code. The Office of the Insurance Commissioner (OIC) has regulatory oversight of the Pool and approval authority for the Pool's Plan of Operations, benefit documents, and compliance with relevant statutes and regulations. Pool premiums and Member Plan assessments are not subject to approval by the OIC.

Board of Directors

Pool oversight is the responsibility of an eleven-member Board of Directors¹, ten of whom serve three-year terms. Six directors are appointed by the governor: they represent consumers (two positions), small employers (one), large employers (one), health care providers (one), and agents (one). Four directors are elected by Member Plans. The Insurance Commissioner or designee is an ex-officio, non-voting director.

¹ A twelfth board position will be added at the time federal law permits states to regulate self-insured employer group plans.

BACKGROUND

Executive Director

An Executive Director oversees the day-to-day operations of the Pool augmented as necessary with consulting services. In 2015 WSHIP engaged the law firm Perkins Coie and the actuarial firm Leif Associates.

Third-Party Administrator & Contractors

WSHIP contracts with a third-party administrator – Benefit Management LLC (BMI) – to perform health plan enrollment, premium billing, claims processing, customer service, on-line information access, accounting, and reporting. BMI works closely with WSHIP’s other contractors who provide pharmacy, provider network, care management, and other services.

Pharmacy benefit management is provided by Express Scripts, Inc. These services include a pharmacy network and pricing, drug claims processing and reporting, delivery-by-mail pharmacy services, cost containment and quality programs, and customer service.

Provider network services and claims pricing are provided by First Choice Health.

Care management services are provided by MedWatch. These services include utilization management, integrated case management, and disease management.

Tobacco cessation services are provided by Alere.

Member Plans

All Disability Carriers, Health Care Service Contractors, and Health Maintenance Organizations licensed under Title 48 RCW that sell health and/or stop-loss* coverage in Washington are Members of the Pool. Carriers that exclusively offer only life or dental products are not Members. Insured multiple-employer welfare associations are Members, but Employee Retirement Income Security Act (ERISA) groups are not. (Note: RCW 48.41. provides that the term “Member” shall be expanded to include ERISA groups at such time as permitted by federal law.)

The State of Washington’s self-insured Uniform Medical Plan (UMP) is also a Member. The UMP and Members that provide stop-loss insurance are assessed at a rate 1/10 of what other carriers pay per fully-insured covered life.

* Stop-loss coverage is insurance that is purchased by self-insured entities for medical claim costs beyond a specified per-individual level.

Significant Accomplishments

Legislative Study and Recommendations

As a follow-up to the study WSHIP conducted in 2012, WSHIP was directed to study the non-Medicare populations scheduled to lose WSHIP coverage in 2017 and the Medicare populations, address any barriers in eligibility that remain for accessing other coverage, and make recommendations about WSHIP's future. Leif Associates, Inc., a health care actuarial consulting firm, was engaged by WSHIP to conduct this study in compliance with RCW 48.41.240(5).

Our approach to this study included three distinct components:

- Data analysis of the claims and enrollment of WSHIP members before and after the implementation of the Affordable Care Act (ACA)
- A survey of the members who remained in WSHIP in early 2015 and other interested parties
- A review of the individual health insurance options available in the commercial marketplace for Washington residents, both with and without Medicare

Key Findings

Barriers that Remain in Accessing Coverage. The study identified five barriers that remain for the high risk populations served by WSHIP:

1. Third-Party Premium Restrictions. Federal law requires carriers to accept payment from some third-party sponsors such as the Ryan White HIV/AIDS program, but discourages carriers from accepting payments from hospitals, other healthcare providers, and other commercial entities due to concerns about adverse selection. (45 CFR Part 156)
2. Citizenship Requirements. Undocumented immigrants are not eligible for coverage through the Health Benefit Exchange. There is some uncertainty about whether the private market will accept undocumented applicants, many of whom are low income and rely on third-party sponsors.
3. Lack of Medigaps for Under Age 65. Only two insurers currently offer plans in Washington. No plans are available to Medicare enrollees outside their 6-month guarantee issue period.
4. Health Screening for Medigaps Past Guarantee Issue Period. Medicare enrollees over the age of 65 who are past their 6-month guarantee issue period are subject to Medigap health screening and may be rejected or offered coverage with limitations.
5. ESRD Patients Excluded from Medicare Advantage Plans. Medicare Advantage Plans are not required to accept applicants with End Stage Renal Disease (ESRD).

2015 HIGHLIGHTS

Significant Accomplishments

Impact of the ACA on Populations Served By WSHIP. While the Affordable Care Act (ACA) has provided new options to most of the non-Medicare high risk population served by WSHIP, the study found no improvement in access to comprehensive coverage for high risk Medicare-eligibles in need of supplemental coverage.

Legislative Study Recommendations

The WSHIP Board recommends that WSHIP be continued beyond 12/31/17 to provide access to comprehensive coverage.

Specific recommendations are as follows:

- Continue WSHIP non-Medicare Coverage Beyond 12/31/17. The Board recommends continuing WSHIP non-Medicare coverage for current enrollees, rather than terminating their coverage on 12/31/17 as required by current statute. The Board is concerned that some of the current WSHIP enrollees would be left without coverage because of their undocumented status or their inability to pay the premium without the assistance of third-party payers. The Board did not come to a unanimous decision about this recommendation.
- Continue WSHIP Medicare Coverage. The Board recommends keeping the WSHIP Medicare program open until additional options are available to address the barriers to accessing Medigap coverage.
- Maintain WSHIP's Funding Mechanism. The Board recommends keeping the current funding mechanism.
- Expand Alien Medical Coverage for Undocumented Immigrants. The Board recommends expanding the Alien Medical for Dialysis and Cancer Treatment program to cover additional serious health conditions and post-transplant care.

Health Reform Communications

WSHIP continued its extensive communication plan to facilitate enrollees' understanding of new coverage options made possible by the Affordable Care Act (ACA) and the premium subsidies and shopping experience available through the Washington Healthplanfinder.

Federal Grant

WSHIP received an extension for its 2014 federal bonus grant award (which was the final year of the grant program). The grant funded a total of \$446,000 for premium subsidies in 2015.

Enrollment & Services

Eligibility

Non-Medicare: Effective January 1, 2014, only individuals enrolled in a WSHIP non-Medicare plan prior to December 31, 2013 and individuals residing in a Washington State county where an individual plan (other than a catastrophic plan) is not offered during defined open enrollment or special enrollment periods were eligible for WSHIP's non-Medicare plans. Enrollees must also not be eligible for Medicare or Medicaid. Individual coverage was available in all counties in 2015; therefore, WSHIP's non-Medicare plans were closed to new enrollment.

Medicare: There were no changes to eligibility for WSHIP's Medicare plans. Medicare-eligible state residents providing evidence of rejection or other adverse actions on a Medicare supplemental insurance policy are eligible for a WSHIP Medicare supplemental plan if they do not have a reasonable choice of Medicare Advantage Plans. In 2015 there were nine counties in Washington that offered a reasonable choice of Medicare Advantage Plans. Medicare enrollees living in those counties were ineligible for WSHIP supplemental benefits unless their health care provider was not included as a member of at least one of the available HMO or PPO Medicare Advantage Plans or they were ineligible for an Advantage Plan because of End Stage Renal Disease (ESRD).

Enrollment

Total Number Enrolled

Enrollment in WSHIP decreased 10.4% in 2015, with a total of 1,556 individuals enrolled in the Pool at year-end. Enrollment of Evergreen Health Insurance Program (EHIP) participants (serving low-income clients with HIV/AIDS) decreased 12% from 298 enrollees to 264 in 2015.

Age & Demographics

The average age of enrollees in the Pool increased from 53 to 54 years. Approximately 46% of all WSHIP enrollees were enrolled in Medicare due to disability. 68% of Medicare enrollees were under age 65.

WSHIP enrollees reside in all Washington State counties, with the majority of enrollees residing in King, Pierce, Snohomish, Spokane, Yakima and Clark counties.

44% of WSHIP enrollees paid their premiums themselves compared to 49% in 2014. 56% of premiums were paid by a foundation or state agency compared to 51% in 2014.

Tobacco Use

Approximately 22% of WSHIP enrollees report using tobacco.

2015 HIGHLIGHTS

Enrollment & Services

Average Length of Enrollment

At year-end WSHIP enrollees had been covered by the Pool an average of 6.2 years. Of the total enrollment, 25% were covered by the Pool for more than 10 years; 18% between 5 and 10 years; and 36% for 2 to 5 years. Overall, 78% of enrollees have been covered by the Pool for 2 years or more.

Disenrollment

In 2015, 458 enrollees ended coverage for reasons such as acquisition of other insurance, failure to pay premium, loss of third-party sponsorship, relocation out of state, and death.

The average WSHIP enrollee is 54 years old and has been covered by the Pool for 6.2 years.

Benefit Plans

In 2015 WSHIP had five benefit plans: three plans for enrollees who are not enrolled in Medicare and two plans for those enrolled in Medicare.

Non-Medicare Plans (32% of enrollment)

- **Standard Plan** – \$500, \$1,000, and \$1,500 Deductibles (same benefit level for network and out-of-network providers, but network providers cannot require payment over the allowable amount)
- **PPO Plan** – \$500, \$1,000, \$2,500 and \$5,000 Deductibles (higher benefit level for network providers)
- **HSA Qualified Preferred Provider Plan** – a High Deductible Health Plan with a \$3,000 combined medical/Rx deductible – can be used with a Health Savings Account (HSA) to pay for health care services with pre-tax dollars

Medicare Plans (68% of enrollment)

- **Basic** – \$0 Deductible, supplements Medicare Parts A & B with no additional drug benefit
- **Basic Plus** (closed to new enrollment since December 31, 2008) – \$0 Deductible, supplements Medicare Parts A, B, & D

2015 HIGHLIGHTS

Enrollment & Services

Distribution by Age & Benefit Plan

At year-end the largest enrollment in non-Medicare plans was in the \$500 deductible PPO Plan (87% of whom had their premiums paid by third parties). For Medicare, the Basic Plan had 77% of enrollment.

Standard Plan				PPO Plan					HSA Qual PPO Plan	
Age	\$500	\$1,000	\$1,500	Age	\$500	\$1,000	\$2,500	\$5,000	Age	\$3,000
0-18	4	0	0	0-18	17	2	0	1	0-18	0
19-29	7	0	2	19-29	14	5	2	0	19-29	0
30-34	3	0	0	30-34	39	7	2	0	30-34	0
35-39	4	1	0	35-39	56	2	3	1	35-39	1
40-44	4	0	0	40-44	62	3	5	5	40-44	2
45-49	4	3	2	45-49	56	3	9	2	45-49	2
50-54	7	0	3	50-54	32	3	5	6	50-54	0
55-59	0	0	1	55-59	20	1	15	9	55-59	7
60-64	1	1	3	60-64	12	4	16	13	60-64	4
65-69	0	0	1	65-69	3	0	0	0	65-69	0
70-74	2	0	0	70-74	0	0	0	0	70-74	0
75-79	0	0	0	75-79	0	0	1	0	75-79	0
80-84	0	0	0	80-84	0	0	0	0	80-84	0
85+	0	0	0	85+	0	0	0	0	85+	0
Total	36	5	12	Total	311	30	58	37	Total	16
Total STD Plan Enrollment = 53				Total PPO Plan Enrollment = 452						
Total Non-Medicare Enrollment = 505										

Age	Basic Plan	Basic Plus Plan
0-18	0	0
19-29	8	0
30-34	18	1
35-39	29	0
40-44	53	3
45-49	68	10
50-54	101	18
55-59	148	37
60-64	161	56
65-69	115	36
70-74	56	37
75-79	29	23
80-84	19	14
85+	8	3
Total	813	238
Total Medicare Enrollment = 1,051		

Total Enrollment = 1,556

Care Management Programs

Utilization Management (UM)

WSHIP's utilization management program is comprehensive, integrated and collaborative. It provides the opportunity to identify psychosocial factors impacting medical utilization to ensure appropriate levels of care as well as optimal treatment plans. Medical necessity reviews include primary care physicians as well as psychiatrists and other specialists.

Utilization Management – 2015	
Number of inpatient medical necessity reviews completed	131
Number of Bed Days	678
Percentage of inpatient days that did not meet medical necessity criteria	5.7%
Number of outpatient procedures or 23 hours stay reviews completed	72
Percentage of outpatient reviews that did not meet medical necessity criteria	0%
Reduction in inpatient utilization stays from previous year	0.9%
Inpatient Admissions/1,000 enrollees	205
Bed Days/1,000 enrollees	1,176
Average Length of Stay Days	5.75
Projected annual inpatient program savings	\$120,276
Return on Investment (ROI) (savings per every dollar spent)	\$8:1

Integrated Case Management (ICM)

WSHIP provides Medical and Behavioral Case Management in an integrated process. The process includes identification, through utilization management, care coaching and claims analysis, of enrollees who would most benefit from case management. Enrollees must consent to participate in the process. Care is coordinated and facilitated through comprehensive intake assessments and interactions between case managers, enrollees and their providers. Enrollee and provider education is initiated along with motivational techniques to promote compliance with individualized treatment plans and to ensure that the highest quality of care is delivered.

Integrated Case Management – 2015	
	Medical Case Management
Managed Medical Case Management	158
Behavioral Case Management	8
Average hours per case	6.9
WSHIP Membership with CM Activity	27.3%
Projected annual savings for medical and behavioral case management	\$381,371
Return on Investment (ROI) (savings per every dollar spent)	\$2.70:1

2015 HIGHLIGHTS

Enrollment & Services

Care Coaching

WSHIP offers a unique targeted population health management program for the chronically ill that improves clinical outcomes and lowers unnecessary utilization of services. It addresses the critical interplay between psychological, social and physical health. This program - Care Coaching - helps those with chronic medical conditions exacerbated by psychological factors (depression, anxiety, substance abuse, maladaptive behaviors, impaired social support, etc.).

- Tailored to WSHIP's unique population, Care Coaching:
 - Reaches out to identified population with creative engagement strategies
 - Provides a dedicated care coach with behavioral health expertise
 - Promotes greater self-management of member health conditions
 - Improves quality of life and clinical outcomes
 - Reduces overall health care costs for the enrollee and the health plan
- Enrollees are identified and targeted for outreach and engagement using proprietary techniques that include:
 - Predictive modeling using available data sources such as claims data
 - Behavioral health factors
 - Risk/cost influencers
 - Identification of enrollees with non-adherence issues resulting in better adherence to all aspects of their care plan
- Due to the clinical intensity of the enrollees remaining in WSHIP, there has been an increase in the level of care necessary to manage care. 28% of the enrollees are managed in Integrated Case Management versus the Care Coaching program.

2015 Care Coaching Activities

Care Coaching Activity	2015	Definition
Total Participant Interactions	326	Contact with participant or participant's provider
Nurse Activity	230	Education\coaching session or reviewing clinical information
Projected annual ROI attributable to Care Coaching	\$3.31:1	

Customer Service & Website Activities

Telephone Activity

An average of 50 telephone inquiries per day was received by the Pool's Customer Service Representatives in 2015. The most common inquiries related to: (1) verifying benefits; (2) enrollee eligibility/ID card; and (3) claims status.

Website Activity

There was an average of 22 visits per day to the Pool's website. The website offers useful information to applicants and enrollees, as well as Board members, Member Plans, agents, providers, and others. Forms and documents may be viewed or downloaded from the site, enrollees may check the status of claims and submit inquiries to Customer Service, and Board activity and Pool operations reports are posted regularly to the site. The site also links to other important websites, such as First Choice Health Network and Express Scripts.

2015 HIGHLIGHTS

Financial Information

Financial Information

Funding

Revenue to support WSHIP comes from four sources:

1. Premiums

For 2015 the WSHIP Board continued to set the maximum premium for all preferred provider plans at 110% of the Standard Risk Rate (SRR) – the average premium paid by an enrollee with comparable benefits under individual plans offered by Member Plans. The statute allows the rate to be set between 110-125%. Medicare enrollees under age 65 rates continued at 110% of the SRR, whereas the statute allows 110-150%. These premium reductions were funded by \$446,000 in federal bonus grant monies. Standard Plan premiums were set at the statutory limit of 150%. Rates for Medicare enrollees 65 and over were set at 150%. Enrollees with prior continuous coverage and/or three years of WSHIP coverage also qualified for additional discounts so long as the rate they paid was not below 110% of the SRR. The average percent of SRR paid by enrollees in 2015 was 133% for the Standard Plan, 110% for preferred provider plans, and 116% for Medicare.

In 2015 premiums totaled \$11.6 million.

The average monthly premium paid in 2015 was \$604 compared to \$609 in 2014.

56% of all enrollees' premiums were paid by a third party.

The percent of total costs covered by premium has averaged 28% over the past five years and is projected to be approximately 22% in 2016.

2. Federal Grants to High Risk Pools

Grants to help cover losses and bonus grants to fund premium reductions or other program enhancements were authorized by Congress for federal fiscal years (FY) 2006 – 2014. 2014 was the final year of the federal grant program. In 2015, WSHIP was able to use \$446,000 of the 2014 bonus grant for premium subsidies.

3. Member Plan Assessments

Claims and operating expenses that exceed the total of premium income, grant funds, and interest income are paid by assessments on Member Plans. The WSHIP Board assesses each Member Plan according to the number of Washington State residents insured for health benefits by that carrier under its health insurance products (excluding federally-funded programs). Assessments on the state's Uniform Medical Plan (UMP) and for enrollees covered under stop-loss policies are based on one-tenth of the Member Plans' enrollees. Member Plans may deduct assessments paid from operating income for tax purposes.

In 2015 Member Plan assessments totaled \$34 million (an estimated \$0.93 pmpm).

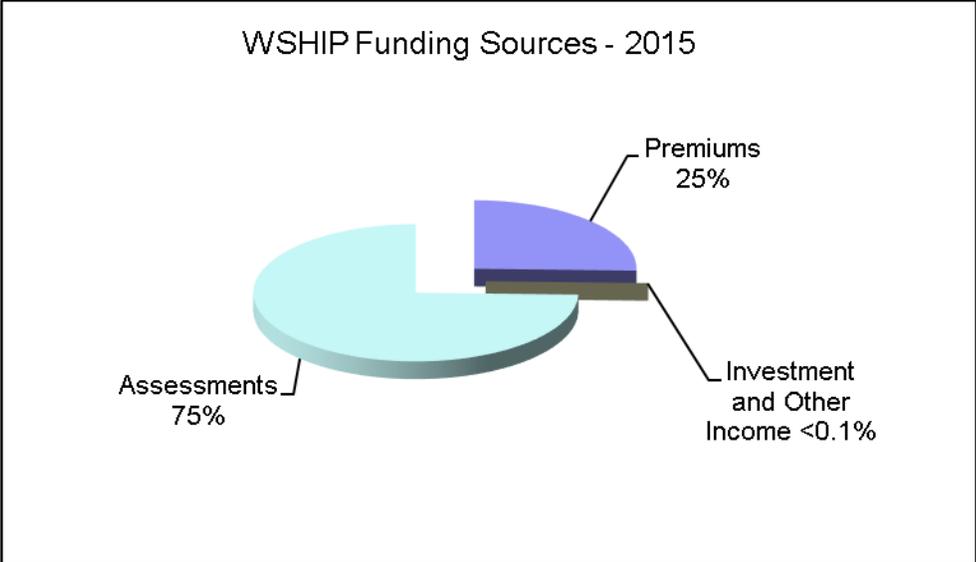
The percent of total costs covered by assessments has averaged 64% over the past five years and is projected to be approximately 71% in 2016.

4. Interest Income

Interest earned on funds held by WSHIP for future claim payments totaled \$1,304.

Allocated Funds

Under RCW 48.41, the Pool has a general account with the state treasurer. The account can provide funds when the assessment on Member Plans exceeds a maximum per-member per-month (pmpm) level of \$0.70 as specified in the law. These funds are accessible only if money has been allocated to the account by the legislature. While WSHIP has exceeded this threshold since 2004, no funds have been allocated to the account since it was established by the legislature.



2015 HIGHLIGHTS

Financial Information

Claim Costs

Total claims paid in 2015 were \$45.6 million, a decrease of 7.9% from 2014. 66% of claims were for medical claims and 34% for prescription drugs. The average cost per enrollee was \$28,529 compared to \$26,230 in 2014, an increase of 8.8%.

Claim Costs 01/01/2015 – 12/31/2015		
		<i>Average cost per enrollee</i>
Medical Claims	\$30.2 million	\$18,895
Pharmacy Claims	\$15.4 million	\$9,634
Total Claims	\$45.6 million	\$28,529

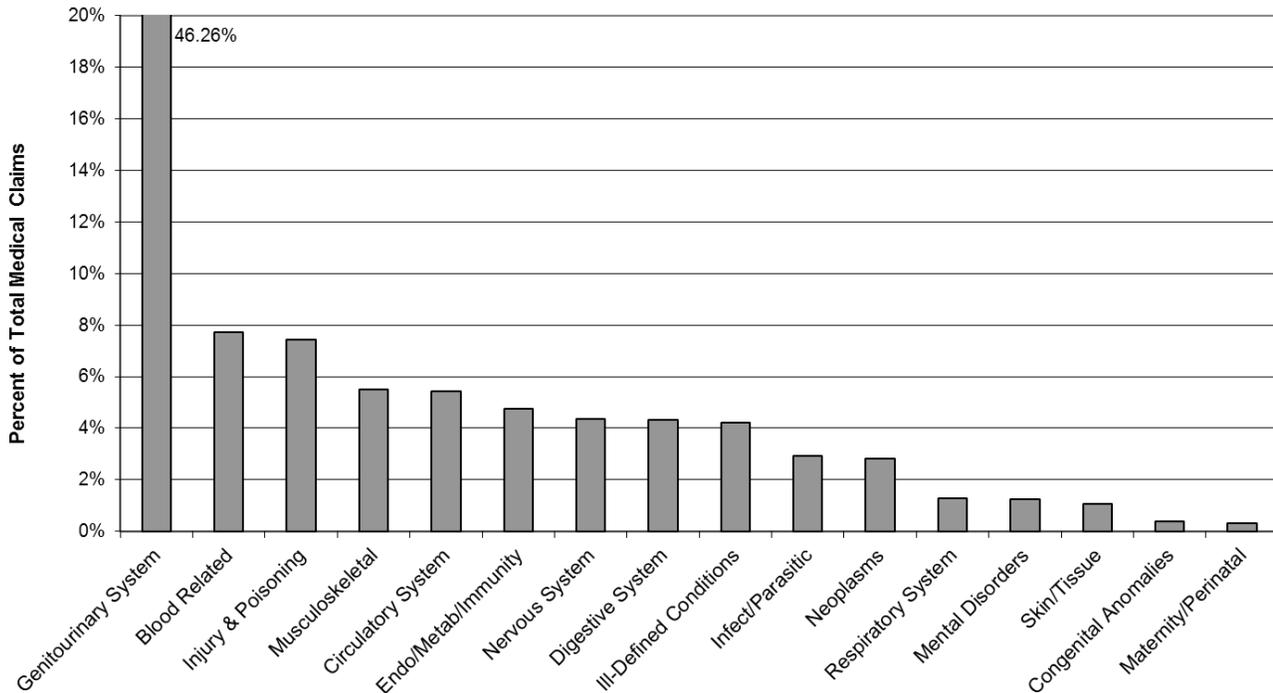
Conditions Treated

Medical Costs by Diagnostic Category

Over 46% of total medical benefits paid in 2015 were related to the treatment of kidney disease (and other diseases of the genitourinary system).

Major Diagnostic Categories by % of Total Medical Claims Paid in 2015

NOTE: This chart depicts the paid medical claims based upon Major Diagnosis Categories for all plans. The Major Diagnosis Categories are developed from ranges of diagnoses.

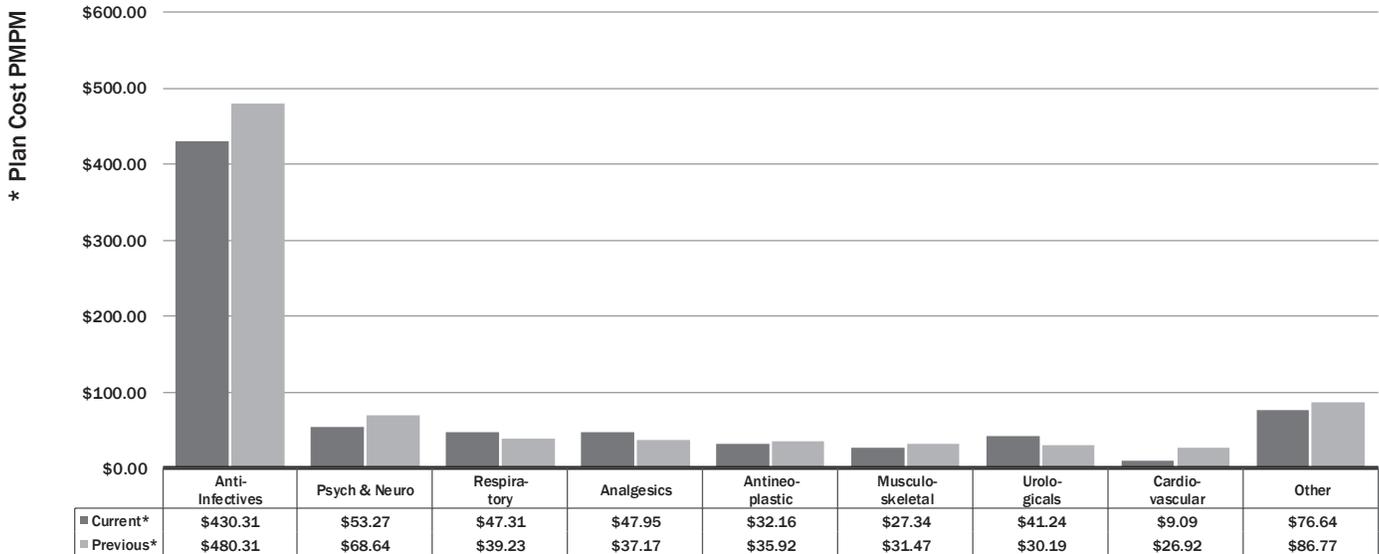


Pharmacy

Pharmacy Costs by Therapeutic Category

The eight therapeutic categories identified below represented 90% of total pharmacy costs in 2015 led by anti-infectives (most related to the treatment of HIV/AIDS).

2015 Pharmacy Cost PMPM by Therapeutic Category



HIV/AIDS Drugs

In 2015, 53.1% of the total pharmacy benefits paid were related to the treatment of HIV/AIDS. HIV/AIDS enrollees continued to have pharmacy claim costs over five times those of other WSHIP enrollees. These drugs dominated the Pool's top 25 drugs by cost.

2015 Top 25 Drugs by Cost

2015 Rank	Drug Name	Indication	Total Plan Cost	Plan Cost Change	Total Days	Days Change	Total Patients	Patients Change
1	TRUVADA	HIV	\$1,835,828	-24.4%	42,859	-23.4%	147	-53.5%
2	ATRIPLA	HIV	\$1,627,001	-36.3%	23,228	-36.9%	82	-64.7%
3	COMPLERA	HIV	\$845,712	-10.8%	12,051	-11.6%	39	-48.7%
4	PROCYSBI	URINARY DISORDERS	\$802,716	21.4%	1,170	56.0%	2	0.0%
5	STRIBILD	HIV	\$764,987	25.8%	9,030	29.3%	33	-50.0%
6	PREZISTA	HIV	\$637,899	-13.0%	15,720	-16.3%	53	-45.9%
7	REYATAZ	HIV	\$606,830	-42.9%	15,049	-43.1%	60	-61.5%
8	TIVICAY	HIV	\$581,153	91.8%	13,470	84.5%	52	33.3%
9	CINRYZE	HEREDITARY ANGIOEDEMA	\$579,967	3.8%	330	0.0%	1	0.0%
10	FENTORA	PAIN/INFLAMMATION	\$545,625	19.7%	768	11.8%	1	0.0%
11	ISENTRESS	HIV	\$425,076	-33.4%	12,462	-33.4%	42	-59.2%
12	GLEEVEC	CANCER	\$332,625	20.3%	1,320	-4.1%	4	-20.0%
13	COPAXONE	MULTIPLE SCLEROSIS	\$307,095	-14.0%	2,248	-0.2%	9	12.5%
14	NORVIR	HIV	\$198,845	-38.1%	31,034	-32.9%	113	-55.3%
15	SENSIPAR	ENDOCRINE DISORDERS	\$190,165	57.3%	6,595	15.5%	29	11.5%
16	RENVELA	KIDNEY DISEASE	\$184,200	28.9%	4,244	-8.5%	24	-17.2%
17	ENBREL	INFLAMMATORY CONDITIONS	\$167,164	11.3%	1,476	-14.5%	6	-14.3%
18	TRIUMEQ	HIV	\$149,527	381.2%	2,136	447.7%	12	300.0%
19	HUMIRA PEN	INFLAMMATORY CONDITIONS	\$143,358	-56.9%	952	-63.0%	5	-61.5%
20	HARVONI	HEPATITIS C	\$131,447	293.3%	112	300.0%	2	100.0%
21	SPRYCEL	CANCER	\$127,124	7.8%	360	-20.0%	2	0.0%
22	SIMPONI	INFLAMMATORY CONDITIONS	\$124,852	-1.6%	364	-48.1%	1	-66.7%
23	EPZICOM	HIV	\$122,325	-45.5%	4,238	-39.4%	16	-57.9%
24	PULMOZYME	CYSTIC FIBROSIS	\$117,817	96.9%	1,140	78.1%	5	25.0%
25	INTELENCE	HIV	\$115,668	6.1%	3,426	3.2%	11	-35.3%

2015 HIGHLIGHTS

Financial Information

Pharmacy Trend

In 2015 pharmacy utilization decreased for WSHIP non-Medicare plans and Medicare plans. The pharmacy cost per member per month (pmpm) for non-Medicare plans was \$1,049, down 10.5%. The pmpm for Medicare plans was \$107, up 0.5%.

Pharmacy Clinical Programs

WSHIP expanded existing clinical programs to include coverage authorization rules for many categories of drugs. These programs are designed to provide coverage of certain drugs or quantities of drugs to control unnecessary costs without compromising the quality of patient care. In 2015 coverage authorization programs provided savings of \$254,715.

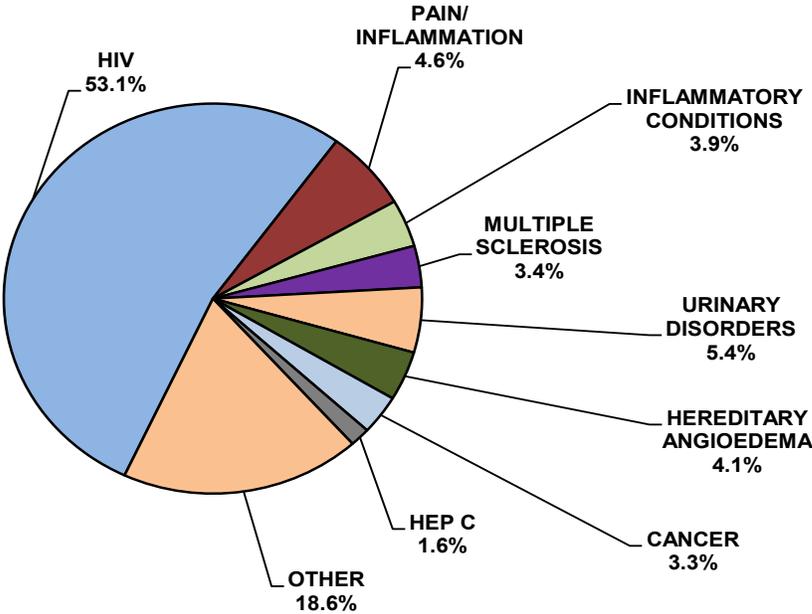
WSHIP also employs a comprehensive suite of utilization management rules for specialty medications. These rules help to ensure that enrollees are utilizing clinically appropriate medications. Use of these rules also result in cost savings. These rules also apply to new specialty drugs that come to market. WSHIP continues to utilize the Personalized Medicine Program provided by Express Scripts which was expanded in 2012 to include available tests related to therapy using certain HIV and oral oncology products. The Personalized Medicine Program offers the availability of specific tests which help prescribers to evaluate if the drug in question will be effective for an individual based on their individual genetic makeup.

Pharmacy Costs – How WSHIP Compares to Other Pools and Commercial Business

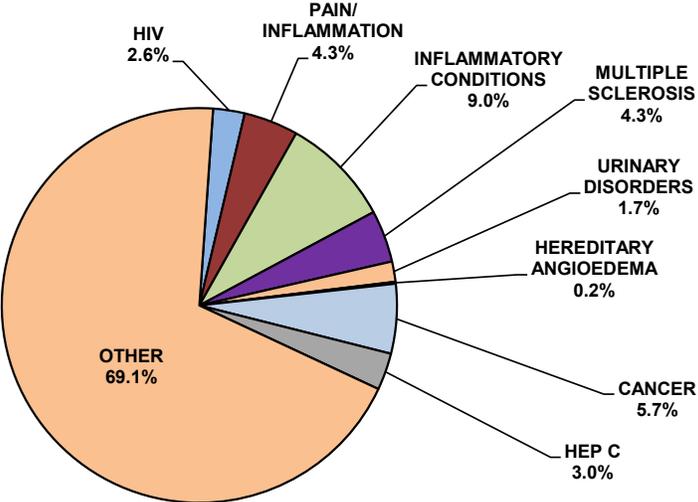
WSHIP's enrollee contribution to the overall cost of drugs (2.9%) is significantly less than the average for Express Script's total state high risk pool business (11.1%). WSHIP's percentage of pharmacy costs related to HIV/AIDS therapy is significantly higher than other state high risk pools and Express Script's commercial book of business.

The charts on the following page show a comparison of WSHIP to Express Script's commercial book of business.

2015 WSHIP



2015 Express Scripts Commercial Book of Business



2015 HIGHLIGHTS

Financial Information

State Pharmaceutical Assistance Program (SPAP)

WSHIP continues its status as a federally-qualified State Pharmaceutical Assistance Program (SPAP). WSHIP was approved by CMS to operate as an SPAP in late 2005 for its Basic Plus Plan that provides secondary prescription drug coverage to Medicare Part D. As an SPAP, WSHIP's secondary payments for Part D drugs count toward the enrollee's true-out-of-pocket (TrOOP) costs; enrollees are eligible for Part D catastrophic coverage once TrOOP has been satisfied. This results in lower out-of-pocket costs for enrollees and lower pharmacy claim costs for WSHIP.

In 2015 the total estimated SPAP savings to WSHIP was \$4 million.

Cost Containment

The Pool utilizes the First Choice Health provider network. In 2015, 88% of claim dollars were paid to network providers. Eligible charges were discounted an average of 52% as a result of network provider contracts. These negotiated provider discounts reduced the Pool's medical claim costs by \$23.7 million. Pharmacy cost savings were achieved through Express Script's pharmacy network contract pricing. These discounts reduced the Pool's pharmacy costs by \$9.8 million.

Administrative Expenses

Total administrative expenses for 2015 were \$2.0 million or 4.2% of total expenses.

Future Considerations

The WSHIP Board annually identifies issues that are important to address with respect to the needs of WSHIP's stakeholders and operations. The Board includes representatives for consumers, providers, small and large employers, agents, health plans, and the Insurance Commissioner or his designee.

WSHIP's 2016 Policy Agenda focuses on the Board's recommendations in the 2015 study conducted by WSHIP pursuant to RCW 48.41.240(5) (see "WSHIP After the ACA: A Study of High Risk Populations with Washington State Health Insurance Pool (WSHIP) Coverage and Barriers that Remain in Accessing Comprehensive Coverage Alternatives").

While the Affordable Care Act (ACA) has provided new options to most of the non-Medicare high risk population served by WSHIP, the study found no improvement in access to comprehensive coverage for high risk Medicare-eligibles in need of supplemental coverage. Additionally, the study identified five barriers that remain for the high risk populations served by WSHIP: 1) Third-Party Premium Payment Restrictions; 2) Citizenship Requirements; 3) Lack of Medigaps for Under Age 65; 4) Health Screening for Medigap Applicants Past their Guarantee Issue Period; and 5) End Stage Renal Disease (ESRD) Patients are Excluded from Medicare Advantage Plans.

Recommendations and Requested Statutory Changes

- 1. Amend RCW 48.41 to Remove 12/31/17 Termination Date for WSHIP Non-Medicare Coverage.** The Board recommends continuing WSHIP's non-Medicare coverage for current enrollees, rather than terminating their coverage on 12/31/17 as required by current statute. The Board is concerned that some of the current WSHIP enrollees would be left without coverage because of their undocumented status or their inability to pay the premium without assistance of third-party payers. (Requires amending RCW 48.41.100 and RCW 48.41.160 to remove references to 12/31/17 coverage termination. A bill was introduced in the 2016 legislative session but did not pass.)
- 2. Continue WSHIP Medicare Coverage.** The Board recommends the continuation of WSHIP's role in providing coverage to Washington residents who are covered by Medicare both over and under age 65 who cannot obtain Medicare Supplement coverage and lack reasonable choice of Medicare Advantage plans.
- 3. Maintain WSHIP's Current Funding Mechanism.** The Board recommends keeping the current funding mechanism.
- 4. Consider Expanding Alien Medical Coverage for Undocumented Immigrants.** The Board recommends the state consider expanding the Alien Medical for Dialysis and Cancer Treatment program to cover other serious medical conditions and post-transplant care.

BOARD OF DIRECTORS & ADMINISTRATION

Board Members



Andrea (Andi) N. Bailey R.N., appointed by the Governor in 2011, is a representative for small employers. She owns Alliance Nursing, a home health company that provides private duty nursing to medically fragile adults and children in the client's home or in one of Alliance Nursing's three Adult Family Homes. Alliance Nursing (formerly Acute Care) has been in business since 1989 and currently has approximately 175 employees. Andi is currently a member of the Women Presidents Organization, where other women-owned companies help each other solve business issues. Andi is active in the Washington Medical Case Managers Association (WMCMA) and the Home Care Association of Washington. Both of these organizations work to solve issues in health care and provide education to support members. Alliance Nursing is a member of the Association of Washington Business to stay current with legislative and governmental issues and a means to support businesses in Washington State. Alliance Nursing is also a member of the Washington Policy Center. Andi is active in the Busy Bee and Stray Threads Quilt Guilds. As a Gold Star Mother, she serves as the Washington State Treasurer, which helps to provide support for veteran organizations and support to mothers who have lost their children while serving in the military.



Roger Bairstow, appointed by the Governor in 2015, is a representative for large employers. Roger currently serves as an Executive on Broetje Orchard's managing Board, helping the business balance its business-as-ministry agenda. He oversees its HR and Corporate Responsibility Department that supervises company-wide goals focused on business practices, employee outreach/services and corporate ethics. The department seeks to ensure long term business growth while measurably improving the environmental and social impacts. As part of his oversight he also chairs the company's domestic ministries which include affordable housing operations, Snake River Housing Inc., C.A.S.A. LLC and Mano à Mano, a Washington State non-profit. Prior to arriving at Broetje Orchards, he was an Assistant Professor with Oregon State University Extension Service, where he initiated micro-enterprise programming and directed a local leadership development program for low-income and minority populations. Roger has worked in Oregon, Michigan and Pennsylvania implementing community economic development programming. He has 8 years' experience conducting international development work in Senegal, Kenya, Guatemala and Costa Rica.



Jamie Clark is a representative for Disability/Stop Loss Member Plans, elected in 2013. She is the Director of Accountable Care Organization Programs for the West Region with United Healthcare and has been with United since 2011. Prior to working for United Healthcare, Jamie held positions with Evergreen Hospital Medical Center, a law firm, and worked in pharmaceutical sales. Jamie earned her Juris Doctor and Masters in Business Administration from Seattle University and a BA from the University of Washington.

BOARD OF DIRECTORS & ADMINISTRATION



Shaun Koos, appointed by the Governor in 2010, is a representative for providers. Shaun is currently retired, having been the Chief Operating Officer of Confluence Health in Wenatchee, Washington. He previously served as the Administrator of Wenatchee Valley Medical Center and was with the center since 1982. He graduated magna cum laude in economics from Carleton College in 1976 and completed the MHA program at University of Washington in 1982. At UW Shaun was Research Assistant for the AHA-sponsored “Hospital Response to Regulation Study.” In 1999 he co-published “Prospects and Performance of Physician Practice Management Organizations” in Medical Care Research and Review. Shaun is affiliated with the Medical Group Management Association and the American Medical Group Association. Community activities have included board positions with the regional Workforce Development Council, YMCA, Red Cross, and the Chelan-Douglas Counties United Way. He is an active member of the Leavenworth Winter Sports Club and the Wenatchee Row and Paddle Club, and a former board member of USA Canoe/Kayak.



Lisa Matthews, appointed by the governor in 2011, is a representative for consumers. Lisa is a Licensed Clinical Psychotherapist with DaVita Dialysis Center in Yakima, Washington, where she has been serving End Stage Renal patients since 1997. The majority of her time is spent advocating for patients’ health and insurance needs. She is an advocate with DaVita at the Federal and State level to help insure continued quality of care for kidney patients. She is the lead social worker for DaVita in Eastern Washington, Western Idaho, and Northern Oregon. Lisa has a Bachelor of Arts degree in Sociology and Ethnic Studies from Central Washington University and a Masters in Social Work from Eastern Washington University. She subsequently obtained her Social Work Independent Clinical License in 2001. Lisa is a member of the National Association of Social Workers, Council of Nephrology Social Workers, and the Association of Certified Social Workers.



Alison Mondt, appointed by the Governor in 2015, is a representative for consumers. Alison is the Policy Advocate & Analyst for the Washington Dental Service Foundation. She has more than ten years’ experience working in healthcare advocacy, including nearly three years in the HIV sector. Alison has worked closely on the implementation of the Affordable Care Act and facilitated the ACA Community Workgroup, a collaboration of healthcare advocates, public health entities, government agencies, carriers, and providers that focused on maximizing the benefits of the ACA for individuals living with chronic illnesses. She holds a B.A. in political science from Vassar College and resides in Seattle.

BOARD OF DIRECTORS & ADMINISTRATION



Scott Plack is a representative for Health Maintenance Organization (HMO) carriers, elected in 2010. Scott is Group Health Cooperative's Director of Public Policy & Government Relations and has been at Group Health since 1993. His responsibilities involve federal and state legislative strategy development and management of regulatory and legislative issues. Scott previously served in a policy capacity for two state legislatures: as Senior Analyst for the Washington State Senate Health and Long-Term Care Committee and as Director of the Subcommittee on Health Care for the Texas State Senate. Scott has a Bachelor of Arts degree from the University of Texas at Austin and a Master's Degree in Public Administration from the University of Washington. He serves on several boards.



Mark Rose, appointed by the governor in 2011, is a representative for agents. Mark is an Equity Partner and the Director of Health Plan Compliance and Reform at The Partners Group. The Partners Group is a locally-owned independent financial services, risk management and employee benefit consulting firm. The firm specializes in finding innovative solutions for employer groups and individuals through all aspects of insurance, compensation, and related risk management issues. Mark has been a licensed health agent since 1999 and his past work experience includes a position with PacifiCare, a national health insurance company, as a Sr. Business Manager focusing on large employer issues. From 2007 to 2015 Mark was the Legislative Chair for the Washington Association of Health Underwriters. In addition to Mark's work and family commitments, he is actively involved with several non-profit organizations. Mark is currently on the Board of Directors for Families Like Ours and serves on the Program Committee and Advisory Board for Treehouse. These organizations provide financial and administrative support to pre- & post-adoptive families.



Jason Siems joined the Board in 2013 as an ex-officio, non-voting board member representing the Insurance Commissioner. He is the Deputy Insurance Commissioner for Policy and Legislative Affairs. Prior to joining the OIC, Jason was the Legal Services Manager for the Washington State Health Care Authority. Prior to joining the Health Care Authority in 2006, Jason worked as a Deputy Attorney General for the state of Idaho, representing the five northern counties of Idaho. Jason also worked as a Deputy Public Defender in Coeur d'Alene, Idaho. Jason earned his Juris Doctorate degree from the University of Idaho and his B.A. from Brigham Young University.

BOARD OF DIRECTORS & ADMINISTRATION



Sheela Tallman is a representative for Health Care Service Contractors, elected in 2014. She is Senior Manager of Legislative Policy at Premera Blue Cross. Sheela is responsible for managing state legislative and public policy issues in Washington, Oregon, and Alaska and at the federal level. She develops positions on various legislative healthcare issues, testifies at hearings, and communicates with elected officials and key stakeholders. She is the current Board Chair of the Association of Washington Healthcare Plans and has been a board member since 2008. Before joining Premera in 2006, Sheela was a manager at Deloitte Consulting, based out of the Houston, TX office. She focused on public sector clients in the U.S. State and Federal Governments working on healthcare strategy and operations and technology integration projects. She has more than ten years' experience in healthcare policy. Sheela has a bachelor of science in Biology from Tufts University and has dual master's degrees in Public Health and Public Affairs from Columbia University.



Kristen Walter Wright is a representative for all Member Plans, elected in 2013. She is Vice President of Actuarial Analysis for Regence, overseeing claims reserves adequacy, financial analysis, financial projections, and provider reimbursement analysis. Prior to joining Regence in 2005, Kristen served in actuarial roles with Symetra Financial, Milliman, and SAFECO Life Insurance Company. Kristen is a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries. Kristen earned her Bachelor's degree in Mathematics with an Actuarial Science concentration from Central Washington University.

Board Members Ending Their Terms in 2015

We extend our appreciation to the following Board member who served on the WSHIP Board in 2015:



Mike Turner was a governor-appointed representative for large employers. Mike is the Chief Financial Officer for Janicki Industries, Inc., based in Sedro-Woolley. He has over twenty years' experience in senior management roles focusing on cost accounting, financial management, and human resource management. At Janicki Industries he manages all aspects of the finance and accounting departments, including helping to oversee employee benefits and serving as a trustee for Janicki's 401(k) plan. Janicki Industries is a technical engineering company that creates production parts, prototypes and composite tools for aerospace, space and defense, marine, transportation, alternative energy and other innovative markets throughout the world. Mike has been active with the Boy Scouts of America for nearly 25 years, serving as an Executive Board member and Treasurer of the Mount Baker Council since 2004. Mike received a degree from Chaffey College in Accounting & Mathematics in 1976.

BOARD OF DIRECTORS & ADMINISTRATION

Board Committees

Executive Committee

Chair as of December 31, 2015: Shaun Koos. The following Board members served on this committee in 2015: Lisa Matthews and Scott Plack.

Board Governance Committee

Chair as of December 31, 2015: Lisa Matthews. The following Board members served on this committee in 2015: Shaun Koos, Jason Siems and Kristen Walter Wright.

Grievance Committee

Chair as of December 31, 2015: Andi Bailey. The following Board members served on this committee in 2015: Alison Mondy, Wendy Galloway (OIC) and Sheela Tallman.

Planning Committee

Chair as of December 31, 2015: Jamie Clark. The following Board members served on this committee in 2015: Roger Bairstow, Alison Mondy, Mark Rose Jason Siems and Mike Turner.

BOARD OF DIRECTORS & ADMINISTRATION

Administration

Executive Director



Sharon C. Becker is WSHIP's Executive Director, and has been with the organization since 2006. She previously served as WSHIP's Deputy Executive Director. Sharon has over 25 years' experience in the health care industry, including health plan management and consulting. At Blue Cross of Washington and Alaska, Sharon managed provider contract administration, prescription drug programs and corporate projects. While in her own consulting firm and at Aon Consulting, she provided services to physician groups, hospitals, health plans and community organizations. Sharon received her Bachelor of Arts and Sciences in Health Education Planning from the University of Washington.

Executive Assistant



Anita Wuellner is WSHIP's Executive Assistant, and has been with WSHIP since 2009. Anita has over 8 years' experience in the healthcare industry and over 20 years' experience in the legal and banking industries. Anita earned an AA degree specializing in paralegal from Lansing Community College in Michigan, and a degree from South Coast College of Court Reporting in California, and was a Certified Court Reporter for more than 10 years. While living on Misawa Air Base in Japan, from 1993 to 1996, Anita taught English and Paralegal courses, and performed court reporting services. She previously was co-owner of the North County Outlook, a community newspaper in Marysville, Washington.

Administrator

Benefit Management LLC (BMI)
1-800-877-5187
www.wship.org

Preferred Provider Network

First Choice Health
1-800-231-6935
www.fchn.com

Pharmacy Benefits Manager

Express Scripts
1-800-859-8810
www.express-scripts.com

Care Management

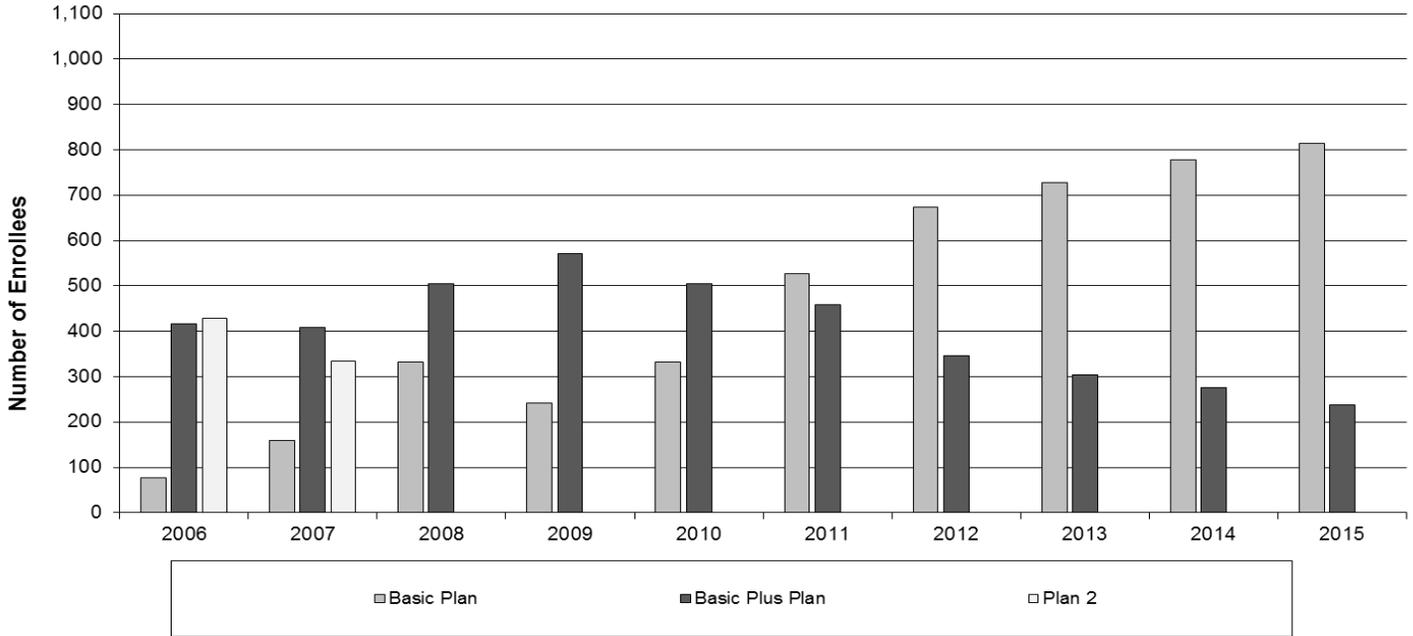
MedWatch
1-800-549-7549
www.urmedwatch.com

APPENDIX I - CHART A

Non-Medicare & Medicare Policies in Force

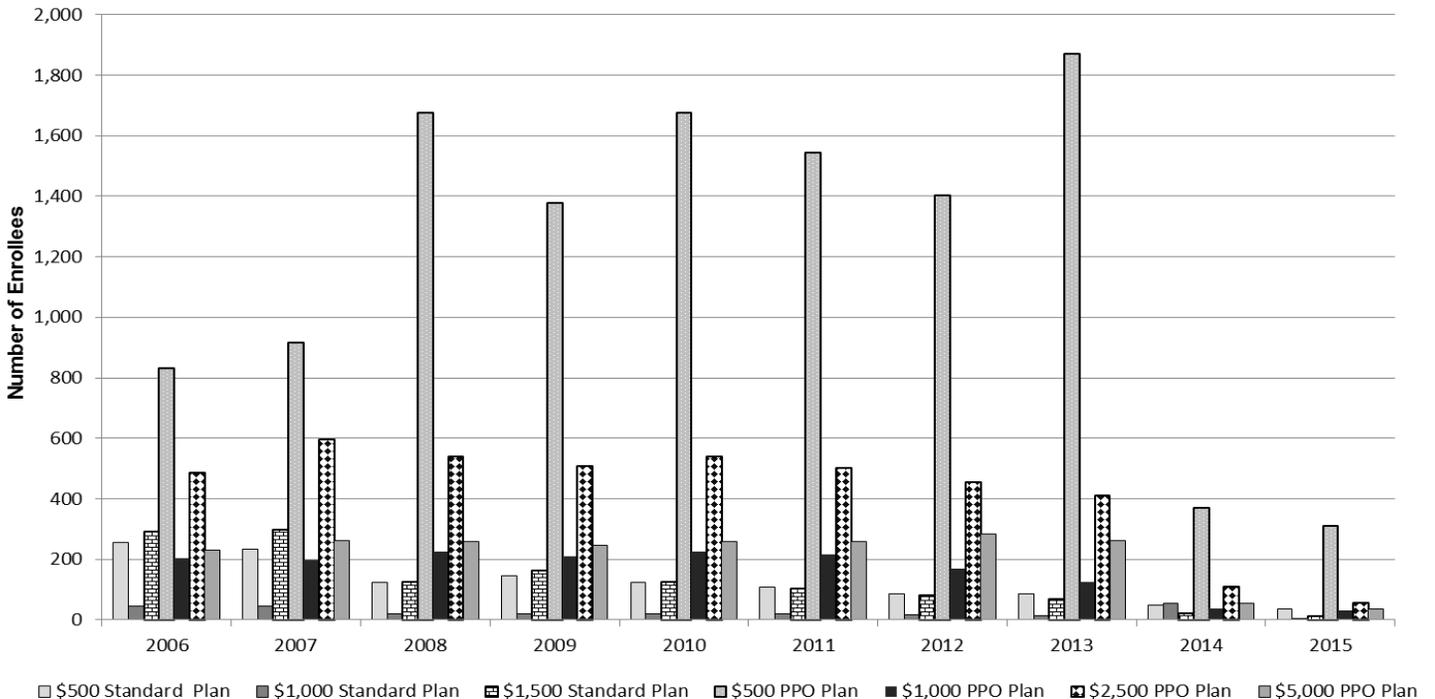
Medicare Policies in Force 2006 - 2015

NOTE: This chart depicts the change in enrollment by Medicare plans. Medicare Part D was introduced in 2006 causing a sharp decrease in WSHIP enrollment in Plan 2 as enrollees switched to either the Basic or Basic Plus plan options which were added in January of 2006. Effective January 2008, Plan 2 enrollees were required to switch to either Basic or Basic Plus plan options. Basic Plus was closed to new enrollment Dec. 31, 2008



Non-Medicare Policies in Force 2006 - 2015

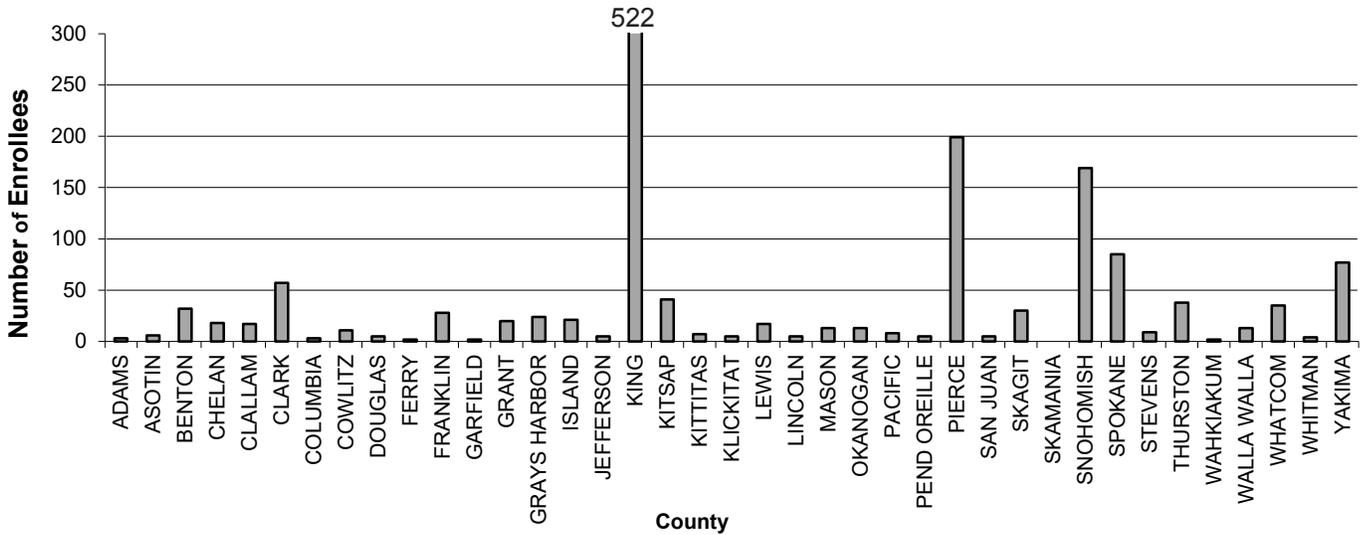
NOTE: This chart depicts the change in enrollment by plans. The HSA Qualified PPO Plan and Limited PPO Plans A and B were added in January of 2008 and are not included in this chart. Beginning in 2014, Non-Medicare plans are no longer open to new enrollment.



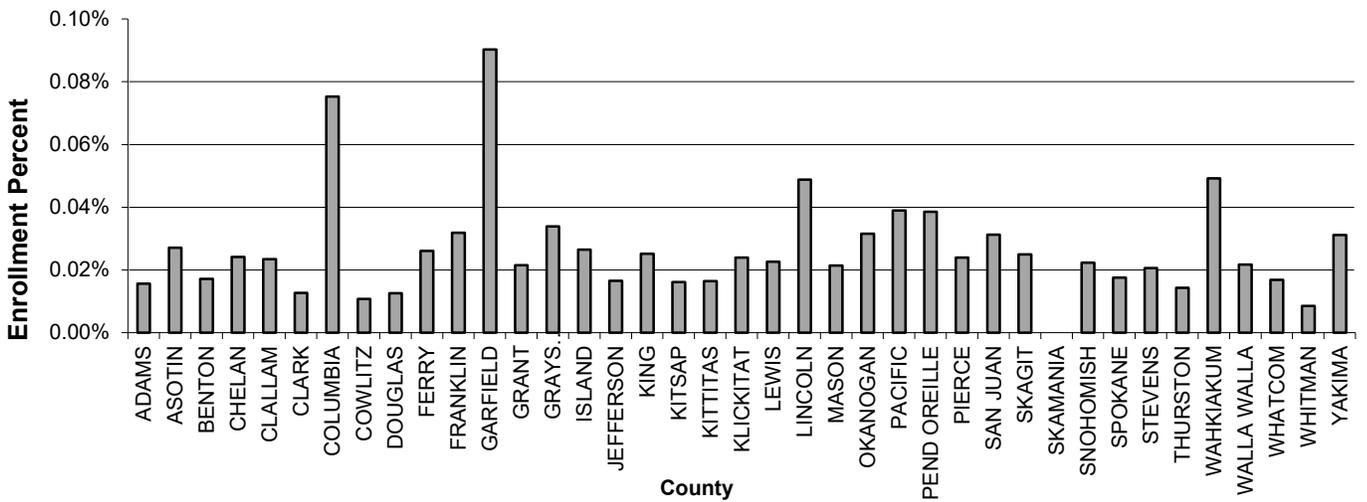
APPENDIX I – CHART B

Enrollment by County

Enrollment By County- 2015



Enrollment by % of Total County Population- 2015

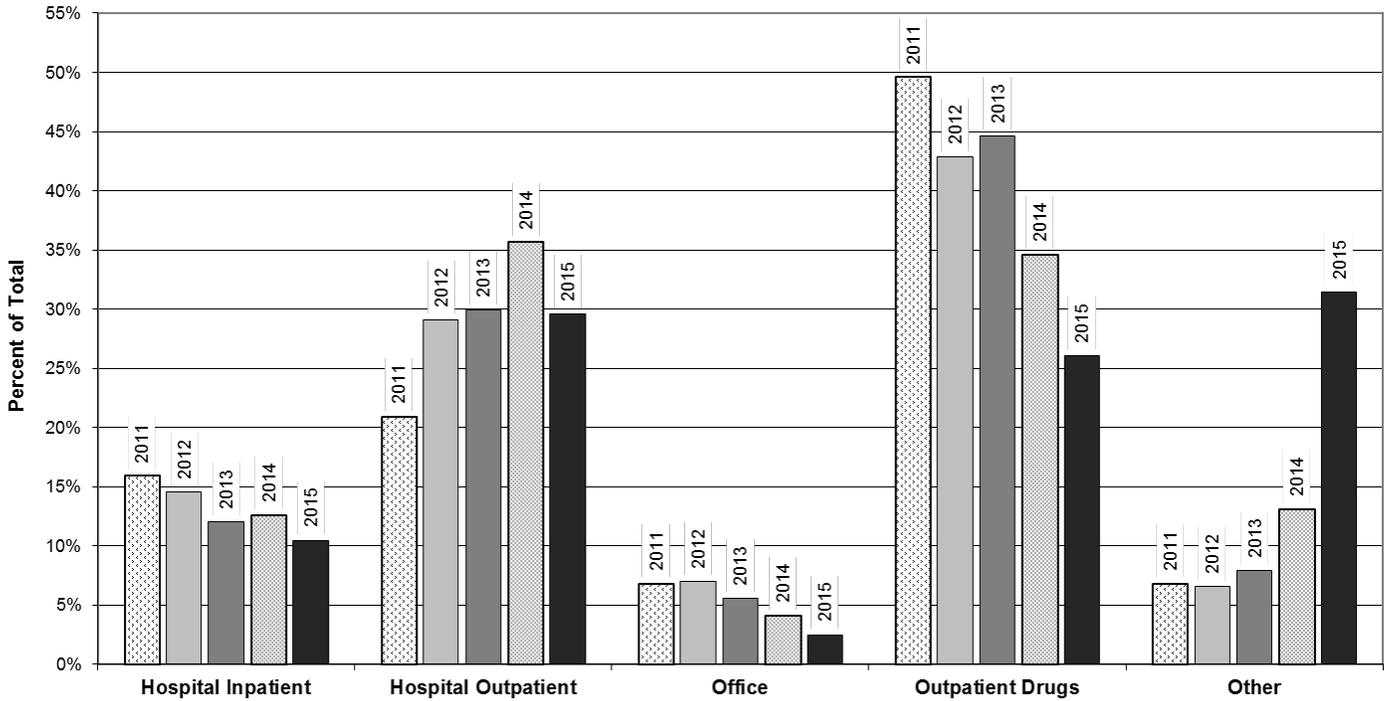


APPENDIX I – CHART C

Distribution of Claim Payments by Place of Service

Distribution of Claim Payments by Place of Service 2011 - 2015

NOTE: This chart depicts the annual paid medical and pharmacy claims cost for each place of service as a percent of the total annual cost. "Other" is a total of services not within the defined labels below, such as Ambulance, Community Mental Health Center, Home Health / Hospice, and Substance Abuse Treatment Center.



APPENDIX I - CHART D

WSHIP Enrollment & Financial Summary

WSHIP Enrollment & Financial Summary, 1988 – 2015; 2016 Projected - Part 1

Year	Avg Enroll. ¹	Premiums	Total Revenues ²	Claims	Administration	Total Costs	Income (Loss)
1988	394		\$121,985	\$856	\$94,432	\$95,288	\$26,697
1989	1875		\$2,064,594	\$1,484,053	\$282,796	\$1,766,849	\$297,745
1990	2793		\$4,718,231	\$7,186,956	\$565,083	\$7,752,039	(\$3,033,808)
1991	3343		\$6,975,792	\$9,502,008	\$677,742	\$10,179,750	(\$3,203,958)
1992	3930		\$9,029,000	\$15,899,000	\$925,455	\$16,824,455	(\$7,795,455)
1993	4387		\$11,432,489	\$18,946,873	\$1,168,088	\$20,114,961	(\$8,682,472)
1994*	1307		\$6,705,787	\$19,261,747	\$1,172,972	\$20,434,719	(\$13,728,932)
1995	862		\$1,807,221	\$8,422,077	\$311,910	\$8,733,987	(\$6,926,766)
1996	712		\$1,491,985	\$6,145,216	\$353,677	\$6,498,893	(\$5,006,908)
1997	766		\$1,494,539	\$6,309,514	\$362,488	\$6,672,002	(\$5,177,463)
1998**	808		\$1,463,690	\$6,302,588	\$1,530,696	\$7,833,284	(\$6,369,594)
1999#	1065		\$1,951,282	\$9,441,006	\$694,650	\$10,135,656	(\$8,184,374)
2000#	2333		\$5,696,608	\$13,318,529	\$986,928	\$14,305,457	(\$8,608,849)
2001##	2104		\$6,355,065	\$23,540,322	\$1,108,205	\$24,648,527	(\$18,293,462)
2002	2333		\$9,086,678	\$31,646,688	\$1,442,325	\$33,089,013	(\$24,002,335)
2003†	2561		\$12,829,025	\$37,492,688	\$1,746,160	\$39,238,848	(\$26,409,823)
2004	2732		\$14,249,945	\$51,617,941	\$2,075,926	\$53,693,867	(\$39,443,922)
2005	2953	\$17,483,874	\$17,832,074	\$51,137,955	\$2,003,786	\$53,141,741	(\$35,309,667)
2006	3103	\$18,250,241	\$21,804,262	\$43,456,871	\$2,388,435	\$45,845,306	(\$24,041,044)
2007	3336	\$18,617,550	\$19,121,429	\$57,357,281	\$3,566,386	\$60,923,667	(\$41,802,238)
2008	3345	\$19,604,248	\$21,503,568	\$55,207,849	\$3,567,380	\$58,775,229	(\$37,271,661)
2009	3453	\$24,408,153	\$27,139,671	\$67,609,809	\$3,468,600	\$71,078,409	(\$43,938,738)
2010	3768	\$29,398,559	\$31,522,303	\$79,342,905	\$2,938,775	\$82,281,680	(\$50,759,377)
2011	3811	\$31,036,298	\$33,185,921	\$93,010,033	\$2,766,577	\$95,776,610	(\$62,590,689)
2012	3675	\$31,629,551	\$33,144,683	\$103,493,291	\$3,018,110	\$106,511,401	(\$73,366,718)
2013	3863	\$36,594,592	\$37,990,040	\$108,940,514	\$3,045,338	\$111,985,852	(\$73,995,812)
2014***	1888	\$13,806,921	\$14,920,384	\$48,949,094	\$2,748,616	\$51,697,710	(\$36,777,326)
2015	1600	\$11,602,968	\$11,605,118	\$45,174,109	\$2,457,850	\$47,631,959	(\$36,026,841)
2016 Proj	1464	\$11,175,903	\$11,181,606	\$43,157,682	\$2,058,149	\$45,215,831	(\$34,034,225)
Total			\$378,424,975	\$1,063,355,455	\$49,527,535	\$1,112,882,990	(\$734,458,015)

NOTES:

¹ Enrollment 1988 – 2000 as of year-end; 2001 and following average monthly enrollment.

² Total revenues include premiums, investment income, federal grants and carrier excess loss remittances

* Enrollment declined sharply in 1994 following enactment of insurance reforms.

** 1998 administration costs include one-time claims settlement of \$1.05 million.

Enrollment climbed again in 1999 and 2000 following disappearance of individual insurance offerings.

Enrollment added due to unavailability of individual coverage in 1999/2000 replaced with rejected applicants in 2001

† \$1,540,323 backlog processed in 2004, but included in 2003.

*** Enrollment decreased significantly due to enrollees transitioning to the new Health Benefit Exchange.

APPENDIX I - CHART D

WSHIP Enrollment & Financial Summary

WSHIP Enrollment & Financial Summary, 1988 – 2015; 2016 Projected - Part 2

Year	Assessments	Costs pmpm ¹	Premium pmpm ²	% Paid by Enrollees	Admin Ratio	Income (Loss) per enrollee
1988	\$242,300	\$20	\$25.80	128.0%	99.1%	\$67.76
1989	\$1,419,656	\$79	\$91.76	116.9%	16.0%	\$158.80
1990	\$2,999,470	\$231	\$140.78	60.9%	7.3%	(\$1,086.22)
1991	\$2,499,451	\$254	\$173.89	68.5%	6.7%	(\$958.41)
1992	\$10,199,088	\$357	\$191.45	53.7%	5.5%	(\$1,983.58)
1993	\$10,198,943	\$382	\$217.17	56.8%	5.8%	(\$1,979.14)
1994	\$11,499,657	\$1,303	\$427.56	32.8%	5.7%	(\$10,504.16)
1995	\$6,308,228	\$844	\$174.71	20.7%	3.6%	(\$8,035.69)
1996	\$7,517,413	\$761	\$174.62	23.0%	5.4%	(\$7,032.17)
1997	\$9,499,999	\$726	\$162.59	22.4%	5.4%	(\$6,759.09)
1998*	\$6,723,298	\$808	\$150.96	18.7%	19.5%	(\$7,883.16)
1999	\$12,079,597	\$793	\$152.68	19.3%	6.9%	(\$7,684.86)
2000	\$9,156,048	\$511	\$203.48	39.8%	6.9%	(\$3,690.03)
2001	\$15,537,546	\$976	\$251.71	25.8%	4.5%	(\$8,694.61)
2002	\$32,238,215	\$1,182	\$324.57	27.5%	4.4%	(\$9,627.95)
2003	\$18,236,206	\$1,277	\$417.52	32.7%	4.5%	(\$10,312.31)
2004	\$27,677,167	\$1,638	\$463.76	26.5%	3.9%	(\$14,437.75)
2005	\$37,677,862	\$1,500	\$503.22	33.6%	3.8%	(\$11,957.22)
2006	\$31,737,155	\$1,231	\$490.12	39.8%	5.2%	(\$7,747.68)
2007	\$37,868,709	\$1,522	\$465.07	30.6%	5.9%	(\$12,530.65)
2008	\$40,700,000	\$1,464	\$488.40	33.4%	6.1%	(\$11,142.50)
2009	\$44,558,900	\$1,715	\$589.06	34.3%	4.9%	(\$12,724.80)
2010	\$53,087,591	\$1,820	\$650.18	35.7%	3.6%	(\$13,471.17)
2011	\$64,053,527	\$2,094	\$678.66	32.4%	2.9%	(\$16,423.69)
2012	\$74,031,979	\$2,415	\$717.22	29.7%	2.8%	(\$19,963.73)
2013	\$84,543,448	\$2,416	\$789.39	32.7%	2.7%	(\$19,154.19)
2014 **	\$45,500,000	\$2,282	\$609.42	26.7%	5.3%	(\$19,479.52)
2015	\$34,000,000	\$2,481	\$604.32	24.4%	5.2%	(\$22,516.78)
2016 Proj	\$34,500,000	\$2,574	\$636.15	24.7%	4.6%	(\$23,247.42)
Total	\$766,291,453					

NOTES:

¹ Enrollment 1988 - 2000 as of year-end, 2001 and following average monthly enrollment.

² Premiums include investment income prior to 2005.

* 1998 administration costs include one-time claims settlement of \$1.05 million.

** 2014 assessments included a special assessment to fund a \$20.8 million payment to the Washington Health Benefit Exchange (HBE) as required by law.

APPENDIX II - FINANCIAL STATEMENTS

Petrow Leemhuis
Vincent & Kane

Report of Independent Auditors

Board of Directors
Washington State Health Insurance Pool

Report on the Financial Statements

We have audited the accompanying financial statements of Washington State Health Insurance Pool (a nonprofit organization) which comprise the balance sheets as of December 31, 2015 and 2014 and the related statements of operations and unassigned surplus and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to fraud or material error.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Washington State Health Insurance Pool as of December 31, 2015 and 2014, and the results of their operations and cash flows for the years then ended in accordance with accounting practices prescribed or permitted by the Office of the Insurance Commissioner of the State of Washington and accounting principles generally accepted in the United States of America.

Petrow Leemhuis Vincent & Kane

February 29, 2016

Washington State Health Insurance Pool

Balance Sheets

	December 31	
	2015	2014
Assets		
Cash and short term investments	\$ 13,186,859	\$ 19,667,071
Assessments receivable	3,221,579	706,247
Uncollected premiums	16,236	33,188
Federal grant receivable	141,641	587,465
Total assets	<u>\$ 16,566,315</u>	<u>\$ 20,993,971</u>
Liabilities and unassigned surplus		
Claims unpaid	\$ 5,286,000	\$ 5,965,000
Unpaid claims adjustment expenses	325,000	297,000
Premiums received in advance	1,179,342	452,343
Assessments payable	3,255,852	5,882,015
Abandoned claims reserve	83,081	29,947
General expenses due and accrued	249,117	153,230
Total liabilities	<u>10,378,392</u>	<u>12,779,535</u>
Unassigned surplus	<u>6,187,923</u>	<u>8,214,436</u>
Total liabilities and unassigned surplus	<u>\$ 16,566,315</u>	<u>\$ 20,993,971</u>

See accompanying notes and report of independent auditors.

Washington State Health Insurance Pool

Statements of Operations and Unassigned Surplus

	Years ended December 31	
	2015	2014
Operating revenues:		
Net premium income	\$ 11,602,968	\$ 13,806,921
	11,602,968	13,806,921
Operating expenses:		
Hospital and medical benefits	45,174,109	48,949,094
Claim adjustment expenses	1,005,730	1,175,455
General and administrative expenses	1,451,620	1,573,161
	47,631,459	51,697,710
Operating loss	(36,028,491)	(37,890,789)
Non-operating revenues:		
Investment and other income	2,150	3,023
Federal grant awards	-	1,110,440
	2,150	1,113,463
Loss before assessments	(36,026,341)	(36,777,326)
Assessments	33,999,828	24,662,000
Change in unassigned surplus	(2,026,513)	(12,115,326)
Unassigned surplus at beginning of year	8,214,436	20,329,762
Unassigned surplus at end of year	\$ 6,187,923	\$ 8,214,436

See accompanying notes and report of independent auditors.

Washington State Health Insurance Pool

Statements of Cash Flows

	Years ended December 31	
	2015	2014
Operating activities		
Premiums collected	\$ 12,345,832	\$ 13,735,113
Claims and claims adjustment expenses paid	(46,296,066)	(57,561,181)
General administrative expenses paid	(1,836,285)	(2,314,866)
Cash used by operating activities	(35,786,519)	(46,140,934)
Investing activities		
Investment and other income	2,150	3,023
Cash provided by investing activities	2,150	3,023
Financing activities		
Assessments collected	28,858,333	53,930,290
Assessment paid	-	(20,838,000)
Federal grant proceeds	445,824	594,222
Cash provided by financing activities	29,304,157	33,686,512
Net decrease in cash and cash equivalents	(6,480,212)	(12,451,399)
Cash and short term investments at beginning of year	19,667,071	32,118,470
Cash and short term investments at end of year	\$ 13,186,859	\$ 19,667,071

See accompanying notes and report of independent auditors.

Washington State Health Insurance Pool
Notes to Financial Statements
December 31, 2015 and 2014

1. Organization and Significant Accounting Policies

Organization

Washington State Health Insurance Pool (the “Pool”), a nonprofit unincorporated entity, was established by the State of Washington to make health care coverage available for eligible persons in Washington who have been rejected for individual coverage by licensed insurance carriers. The Pool has the authority, under state law, to assess insurance companies writing health premiums in the State of Washington for all losses of the Pool. Presently, assessments are made as funds are needed.

Basis of Presentation

The accompanying financial statements have been prepared, except as to form, on the basis of accounting practices prescribed or permitted by the Office of the Insurance Commissioner of the State of Washington. Such practices may vary from accounting principles generally accepted in the United States of America (“GAAP”). However, the effect of such variances is not considered to be material and the financial statements are also considered to be in conformity with GAAP.

Use of Estimates

Preparation of financial statements requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

Cash and Cash Equivalents

All investments with a remaining maturity of three months or less at the date of acquisition are considered cash equivalents. Short-term investments are recorded at cost, which approximates market.

Assessments

Assessments of the insurer members are approved by the Board of Directors and are recognized as a contribution to unassigned surplus. Assessments are made periodically and are based on projected cash flow needs. Assessments receivable represents outstanding balances assessed to insurance companies but not yet collected, and assessments payable represents amounts overpaid by insurance companies and are to be refunded.

Washington State Health Insurance Pool
Notes to Financial Statements (continued)
December 31, 2015 and 2014

1. Organization and Significant Accounting Policies (continued)

Unpaid Claims and Related Expenses

The liabilities for unpaid claims and related expenses are estimated based on historical claim development, including the effects of six-month pre-existing condition exclusion. Considerable variability is inherent in such estimates. However, management believes that liabilities for unpaid claims and related expenses are adequate. The estimates are continually reviewed and updated as experience develops or new information becomes known; such adjustments are reflected in current operations.

Premium deficiencies are not recognized as the Pool has the statutory authority to assess member plans for operating losses.

Revenue Recognition

Premiums are earned pro rata over the periods to which the premiums relate. Premiums received in advance represent amounts received in advance of the policy effective date.

Concentration of Credit Risk

Deposits at the Pool's financial institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Pool has not experienced a loss due to uninsured balances, and at December 31, 2015 and 2014, none of the Pool's deposits are uninsured.

Income Taxes

The Internal Revenue Service has determined that the Pool qualifies as a tax-exempt organization under Section 501(c)(26) of the Internal Revenue Code ("IRC") and is, therefore, not subject to tax under present income tax law. The Pool is required to operate in conformity with the IRC to maintain its qualification. The Pool is also exempt from State of Washington taxes.

In consideration of Accounting Standards Codification ("ASC") 740-10-25 Income Taxes, the Pool has not taken any uncertain tax positions that should be recognized in the accompanying financial statements. The Pool's 2014, 2013 and 2012 tax returns are subject to examination by the Internal Revenue Service.

Regulatory Examination

The Pool's financial statements are subject to examination by the Office of the Insurance Commissioner of the State of Washington ("OIC"). Such examinations could result in adjustments to the Pool's financial statements. The OIC's most recent examination covers the years 2008 through 2012, and was completed during 2014. No findings were noted that would require an adjustment to the financial statements.

Washington State Health Insurance Pool
Notes to Financial Statements
Notes to Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

Pre-Existing Condition Insurance Pool

The Pool was the single member of the Pre-Existing Condition Insurance Pool – WA, LLC (“PCIP”), formed in 2010 to administer the U. S. Department of Health and Human Services’ (“HHS”) temporary health insurance program to individuals residing in the State of Washington who previously had been uninsured. HHS reimbursed PCIP for claims paid in excess of premiums received, and for administrative expenses. HHS has made funds available to all states for similar health insurance programs.

Effective June 30, 2013, the administration of PCIP was transitioned to the federal government, and PCIP was dissolved effective December 31, 2014. PCIP processed run-out claims for additional eighteen months through December 31, 2014.

2. Federal Grant

During 2014, the Department of Health and Human Services awarded the Pool a High Risk Pool Grant to be used to fund operating losses of the Pool, and Bonus Grant funds to be used to reduce premiums to insureds and implement a disease management program. The grant funds have been reported as non-operating revenue in the accompanying statements of operations and unassigned surplus. No grant funds were awarded in 2015.

	Years ended December 31	
	2015	2014
Operations Grant	\$ -	\$ 522,975
Bonus Grant	-	587,465
	\$ -	\$ 1,110,440

3. Plan Administration Agreement

The Pool has outsourced its administrative services to Benefit Management Inc., a Kansas based third party administrator, under a service agreement effective through December 2015. In accordance with the agreement, the Pool is charged a monthly per-member-per-month fee based on the number of active members, and variable fees for certain services. Total fees paid to Benefit Management Inc. in 2015 and 2014 were \$931,944 and \$964,594, respectively, and are included in general and administrative expenses in the accompanying statements of operations and unassigned surplus.

Washington State Health Insurance Pool
Notes to Financial Statements
Notes to Financial Statements (continued)

4. Liability for Unpaid Claims

The following table provides a reconciliation of the beginning and ending balances of the liability for unpaid claims and unpaid claims adjustment expenses:

	Years ended December 31	
	2015	2014
Balances at January 1	\$ 6,262,000	\$ 14,299,000
Policy benefits incurred related to:		
Current year	46,351,770	50,842,149
Prior years (redundancy)	(1,177,661)	(1,893,055)
Total policy benefits incurred	45,174,109	48,949,094
Paid related to:		
Current year	40,752,759	44,605,706
Prior years	5,072,350	12,380,388
Total paid	45,825,109	56,986,094
Balances at December 31	\$ 5,611,000	\$ 6,262,000

Policy benefits incurred related to prior years varies from previously estimated liabilities as the claims are ultimately settled. The changes in amounts incurred related to prior years are the result of changes in morbidity experience, health care utilization and claim payment patterns.

5. Line of Credit

The Pool has a secured revolving line of credit agreement with KeyBank National Association, which provides for borrowing up to a maximum of \$5 million. There were no outstanding balances at December 31, 2015 or 2014, nor were there any borrowings against this line during 2015 or 2014.

6. Subsequent Events

In accordance with ASC 855 *Subsequent Events*, the Pool has evaluated subsequent events through February 29, 2016, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.