



## 2020 ANNUAL REPORT

Washington State Health Insurance Pool

*Providing health benefits to Washington residents who were denied coverage or unable to obtain comprehensive coverage*





1777 S Burlington Blvd, #449  
Burlington, WA 98233

May 2021

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 for the calendar year 2020.

At year-end, there were a total of 1,341 enrollees in WSHIP. Of these, 197 enrollees were in WSHIP's non-Medicare program and 1,144 enrollees were in WSHIP's Medicare program.

WSHIP's non-Medicare program is only available to persons enrolled in WSHIP prior to 2014 or who reside in a county where individual health plans are not offered. The non-Medicare program has been closed to new enrollment since 2014 because individual coverage has been available in all counties, and over 90% of individuals who had been enrolled in non-Medicare plans have transitioned to other coverage options. Our Medicare-eligible plan remains open to Medicare 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 25.6% to \$27.9 million in 2020. Assessments to Member Plans were \$24.5 million in 2020 (an estimated \$0.59 pmpm). WSHIP assessments for 2021 are currently projected to be \$24.5 million.

In 2021, the legislature passed HB 1096 which removed the December 31, 2022 termination date for WSHIP's non-Medicare plans. It will ensure coverage for WSHIP's medical fragile enrollees and preserve an important safety net for state residents. This bill is consistent with the recommendations of the WSHIP Board, and we look forward to ongoing discussions with policy makers on the future of the pool. WSHIP's Executive Director, Sharon Becker, is available to answer questions or provide additional information. Sharon can be reached at (360) 671-2101 or [sbecker@wship.org](mailto:sbecker@wship.org). You may contact me at (206) 332-5460 or [Kristen.Walter@Regence.com](mailto:Kristen.Walter@Regence.com).

Sincerely,

Kristen Walter Wright, WSHIP Board Chair

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## **About WSHIP**

As the State's high risk pool, 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 care 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 market rate for comparable coverage. Premiums currently cover about a third of claims costs; member plans pay the remaining costs.

## EXECUTIVE SUMMARY

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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 not eligible for Medicare or Medicaid, and 2) residents who are covered by Medicare but are unable to purchase a Medicare supplement or Medicare Advantage plan due to health reasons. With the implementation of the Affordable Care Act (ACA), insurance companies are now required to accept individuals with pre-existing conditions; however, the ACA did not change the marketplace rules for Medicare supplements or Medicare Advantage plans. As a result, eligibility for WSHIP's non-Medicare plans was changed in 2014 to limit enrollment to individuals enrolled in WSHIP prior to 2014 or who reside in a county where individual plans are not offered. No changes have been made to WSHIP's Medicare-eligible program.

In total, WSHIP provided coverage to 1,341 individuals as of December 31, 2020. This represents a decrease of 7.5% from 2019. Total claims costs were \$27.9 million, a decrease of 25.6% from 2019.

**Non-Medicare:** WSHIP's non-Medicare plans remained closed to new enrollment in 2020 since individual health plans were offered in all counties. 197 enrollees were in these plans at year-end. Of those, 132 are individuals with HIV/AIDS who are sponsored by the Washington State Department of Health (DOH) Early Intervention Program (EIP).

**Medicare:** WSHIP's Medicare plans provided supplemental coverage to 1,144 enrollees.

### Key Facts & Figures

#### Enrollment

- Total WSHIP enrollment as of 12/31/20: **1,341** (7.5% decrease from 2019)
  - Non-Medicare Plans: 197 (15% of total enrollment)
  - Medicare Plans: 1,144 (85% of total enrollment)

**Total Revenue** \$32.7 million

- Premiums \$ 8.2 million
- Assessments \$24.5 million (est. \$0.59 pmpm\*)
- Other \$22 thousand

**Total Expenses** \$29.8 million

- Medical Claims \$17.7 million
- Rx Claims \$10.2 million
- Administration \$ 1.9 million (6%)

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

#### Top Diagnoses and Drug Therapies

- Medical: Top diagnoses by medical claims were related to the treatment of kidney disease
- Pharmacy: 7 of the top 10 drugs by cost were for HIV/AIDS therapy

#### Cost Containment

- Provider Network Savings: \$10 million
- Care Management Program Savings: \$321,699
- Pharmacy Network and State Pharmaceutical Assistance Program Savings: \$6.1 and \$2.6 million

# BACKGROUND

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## History and Purpose of the Pool

WSHIP is the high risk health insurance pool for the state of Washington. 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 health insurance market had collapsed in 1999 as a result of a combination of laws requiring guaranteed issue and community rating for applicants in the individual market.

As stated in the Act, its purpose and intent is: 1) to provide access to health insurance coverage to all residents of Washington who are denied health insurance, and 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 mechanism established by the 2000 amendments was the use of a Standard Health Questionnaire for applicants in the individual health insurance market to identify (and allow rejection of) high risk applicants for coverage, and offer the alternative health insurance coverage by WSHIP.

The Act has been amended several times. In 2013, it was amended to address health care reforms that were implemented January 1, 2014 as part of the Affordable Care Act (ACA). Insurance companies are now required to accept individuals with pre-existing conditions; however, the ACA did not change the marketplace rules for Medicare supplements or Medicare Advantage plans. As a result, eligibility for WSHIP's non-Medicare plans was changed in 2014 to limit enrollment to individuals enrolled in WSHIP prior to 2014 or who reside in a county where individual plans are not offered. No changes were made to WSHIP's Medicare program. Other changes included the discontinuation of the Standard Health Questionnaire and a scheduled sunset date of December 31, 2017 for WSHIP's non-Medicare coverage.

In 2017, the statute was amended to extend the sunset of WSHIP's non-Medicare plans to December 31, 2022 and express the intent of the Legislature to further study the role of WSHIP in the future, as well as its funding mechanism.

In 2018, the statute was amended to provide premium reductions for WSHIP non-Medicare coverage in the event WSHIP was needed to cover bare counties in the plan year 2019. (There were no bare counties in 2020; therefore, this was not implemented.)

In 2021, the statute was amended to remove the December 31, 2022 termination date of the non-Medicare plans.

## Key Historical Facts

Benefit Plans – The benefit plans created by statute in 1987 are comprehensive plans designed for a high risk population. In 2008, WSHIP added two higher deductible Preferred Provider (PPO) plans (\$2,500 and \$5,000) in response to affordability concerns by applicants. Two less comprehensive (and less expensive) plans were also offered, but interest in those plans was low and they were eventually closed due to lack of enrollment. WSHIP's indemnity plan (the "Standard Plan") was discontinued on December 31, 2017. In 2020 WSHIP added a new Medicare plan (the "Medical Supplement Plan").

## BACKGROUND

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Access and Affordability – WSHIP has never implemented enrollment caps or wait lists. Premiums are based on the average market rate and not on actual claims expense. By law, WSHIP rates must be at least 10% higher than the Standard Risk Rate (SRR) – the average market rate for comparable coverage. Rates for all WSHIP PPO plans have been set at 110% of the SRR since 2007.

Lifetime Limits – WSHIP plans have not had lifetime limits since 2011. The Act’s initial lifetime limit of \$1 million was increased to \$2 million in 2008 when the limit had been reached by one or more cases. In 2011, the lifetime limit was eliminated.

Surveys – What happened to individuals who were rejected from the individual market but did not enroll in WSHIP? – From 2002 until 2009, WSHIP periodically surveyed individuals who had applied and were rejected for individual coverage in the private market but chose not to enroll in WSHIP. Early surveys yielded information helpful to improve access to WSHIP such as simplifying the application process and adding lower-cost benefit plans. The last survey in 2009 indicated that 75% of respondents currently had health insurance coverage and 25% were uninsured. More than 50% of all respondents indicated they already had coverage at the time they applied and were rejected for individual coverage and many had the option to continue that coverage. Others found new coverage (e.g., through a spouse’s employer).

# BACKGROUND

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## 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 Directors<sup>1</sup>, 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.

### Executive Director

An Executive Director oversees the day-to-day operations of the Pool augmented as necessary with consulting services. In 2020, 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 (BML) – to perform health plan enrollment, premium billing, claims processing, customer service, on-line information, accounting, reporting, and care management. BML works closely with WSHIP's other contractors who provide pharmacy benefit management, provider networks, and other services.

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

### 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.

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

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



## **Enrollment & Services**

### **Eligibility**

**Non-Medicare:** Effective January 1, 2014, the only individuals eligible for non-Medicare WSHIP coverage are those who were enrolled in WSHIP 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. Enrollees must also not be eligible for Medicare or Medicaid. Individual coverage was available in all counties in 2020; 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 WSHIP's Medicare supplemental plan if they do not have a reasonable choice of Medicare Advantage plans. In 2020 there were 8 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.

### **Enrollment**

#### **Total Number Enrolled**

Enrollment in WSHIP decreased 7.5% in 2020, with a total of 1,341 individuals enrolled in the Pool at year-end. Enrollment of Washington State DOH Early Intervention Program (EIP) participants (serving low-income clients with HIV/AIDS) decreased 38.3% from 214 enrollees to 132 in 2020.

#### **Age & Demographics**

The average age of enrollees in the Pool was at 58 years. Approximately 55% of all WSHIP enrollees were enrolled in Medicare due to disability. 64% of Medicare enrollees were under age 65.

WSHIP enrollees reside in all Washington State counties except Skamania and Columbia, with the majority of enrollees residing in King, Pierce, and Snohomish counties.

36% of WSHIP enrollees paid their premiums themselves. 64% of premiums were paid by a third party.

#### **Tobacco Use**

Approximately 13% of WSHIP enrollees report using tobacco.

## 2020 HIGHLIGHTS

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### *Enrollment & Services*

#### **Average Length of Enrollment**

At year-end WSHIP enrollees had been covered by the Pool an average of 6.7 years. Of the total enrollment, 24% were covered by the Pool for more than 10 years; 21% between 5 and 10 years; and 24% for 2 to 5 years. Overall, 69% of enrollees have been covered by the Pool for 2 years or more.

#### **Disenrollment**

In 2020, 390 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 58 years old and has been covered by the Pool for 6.7 years.**

#### **Benefit Plans**

In 2020 WSHIP had five benefit plans: two plans for enrollees who are not enrolled in Medicare and three plans for those enrolled in Medicare.

#### **Non-Medicare Plans** (15% of enrollment)

- **PPO Plan** – \$500, \$1,000, \$2,500 and \$5,000 Deductibles (higher benefit level for network providers)
- **HSA Qualified Preferred Provider Plan** – 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** (85% of enrollment)

- **Medical Supplement Plan** – Supplements Medicare Parts A & B with no additional drug benefit
- **Basic Plan** – (closed to new enrollment since 12/31/19) Supplements Medicare Parts A & B with no additional drug benefit
- **Basic Plus** – (closed to new enrollment since 12/31/08) Supplements Medicare Parts A, B & D

## 2020 HIGHLIGHTS

### *Enrollment & Services*

#### **Distribution by Age & Benefit Plan**

At year-end, the largest non-Medicare enrollment was in the \$2,500 deductible PPO plan and the largest Medicare enrollment was in the Basic plan.

Non-Medicare PPO Plan					Non-Medicare HSA PPO Plan	
Age	\$500	\$1,000	\$2,500	\$5,000	Age	\$3,000
0-18	7	2	0	1	0-18	1
19-29	4	1	1	0	19-29	0
30-34	4	0	4	0	30-34	0
35-39	4	3	16	0	35-39	0
40-44	4	0	31	1	40-44	0
45-49	2	1	25	2	45-49	1
50-54	2	1	33	1	50-54	0
55-59	3	0	16	2	55-59	0
60-64	1	1	14	0	60-64	2
65-69	0	0	4	0	65-69	0
70-74	0	0	2	0	70-74	0
75-79	0	0	0	0	75-79	0
80-84	0	0	0	0	80-84	0
85+	0	0	0	0	85+	0
<b>Total</b>	<b>31</b>	<b>9</b>	<b>146</b>	<b>7</b>	<b>Total</b>	<b>4</b>
<b>Total Non-Medicare Enrollment = 197</b>						

Age	Medicare Medical Supplement	Medicare Basic	Medicare Basic Plus
0-18	0	0	0
19-29	5	4	0
30-34	6	17	0
35-39	7	27	0
40-44	8	36	0
45-49	19	56	1
50-54	27	82	6
55-59	38	136	10
60-64	48	180	22
65-69	21	116	28
70-74	11	82	22
75-79	9	36	21
80-84	6	26	14
85+	6	5	6
<b>Total</b>	<b>211</b>	<b>803</b>	<b>130</b>
<b>Total Medicare Enrollment = 1,144</b>			

**Total Enrollment = 1,341**

## 2020 HIGHLIGHTS

### *Enrollment & Services*

#### **Care Management Programs**

WSHIP’s Care Management program provides a variety of important services to enrollees in our non-Medicare program. (WSHIP’s Medicare program provides supplemental coverage only; primary coverage is managed by Medicare.) Services included in WSHIP’s Care Management Program include Utilization Management, Case Management and Care Coaching specifically designed to meet the unique needs of WSHIP enrollees.

#### **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 – 2020		
	WSHIP	MedWatch Commercial Book of Business
Inpatient Admissions/1,000 enrollees	100	32
Bed Days/1,000 enrollees	779	140
Average Length of Stay Days	7.79	4.41
UM Return on Investment (ROI)	\$8:1	

#### **Case Management**

Case management brings traditional medical and behavioral health strategies and interventions together in a clinically integrated approach for enrollees with complex or chronic medical conditions. Case Managers help enrollees to understand their choices, navigate the healthcare system, use benefits wisely, and provide dedicated coordination on complex cases with the enrollee and their health care providers. The process includes identification, through utilization management, care coaching and claims analysis, of enrollees who would most benefit from case management. Participation is voluntary.

Case Management – 2020	
Number of cases	63
Average hours per case	14
Top Diagnoses Managed	Diseases of Genitourinary System Diseases of Endocrine, Nutritional and Metabolic, Immunity Disorders Diseases of Nervous System
CM Return on Investment (ROI)	\$3:1

## 2020 HIGHLIGHTS

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### *Enrollment & Services*

#### **Care Coaching**

WSHIP offers a 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.).

**Total Care Management Program Savings:** \$321,699

### Customer Service & Website Activities

#### Telephone Activity

An average of 31 telephone inquiries per day was received by the Pool's Customer Service Representatives in 2020. The most common inquiries related to: 1) claims status, 2) verifying benefits, and 3) eligibility/ID card.

#### Website Activity

There was an average of 18 visits per day to the Pool's website (www.wship.org). 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, 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.

The screenshot shows the WSHP website homepage. The header includes the WSHP logo and the text 'WASHINGTON STATE HEALTH INSURANCE POOL'. A navigation menu on the left lists various topics like Home, Health Reform, About WSHP, Eligibility, Benefit Plans, Monthly Premiums, Application/Forms, Provider Network, Pharmacy, Care Management, Health & Wellness, For Agents, For Member Plans, For Board of Directors, and Contact Us. The main content area features a central banner with a photo of a doctor and a patient, with the text 'Health insurance for those unable to obtain comprehensive coverage.' and a link 'Learn about eligibility changes for 2014 >'. Below this is the 'WSHIP NEWS' section with several articles, including 'Legislature Passes Bill to Delay Discontinuation of WSHP Non-Medicare Plans', 'Comment Period Regarding WSHP Standard Plans', 'WSHP Member Plan Meeting', 'WSHP Board of Directors Meeting', 'WSHP Annual Report', 'WSHP Legislative Study', 'WSHP's Non-Medicare Plans Are Closed to New Enrollment', and 'WSHP's Medicare-eligible Plan (Basic) is Open to New Enrollment'. On the right side, there are links for 'LOG IN' (Enrollees, Carriers, Providers, Board Members), 'Create Account Click Here', and 'WHAT YOU NEED TO KNOW ABOUT 2017' (Already Enrolled in WSHP?, How to Renew or Change WSHP Plans, How to Buy New Coverage, Medicare Supplements). At the bottom right, there is a 'WASHINGTON healthplanfinder' logo and a 'WSHIP QUICK LINKS' section with links for Plan Comparison Chart, Agent Directory, Enrollee Change Form, Board Meeting Schedule, and Annual Report.

## 2020 HIGHLIGHTS

### *Financial Information*

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## Financial Information

### **Funding**

Revenue to support WSHIP comes from the following sources:

#### **1. Premiums**

For 2020 rates for WSHIP's non-Medicare plans were set at 110% of the Standard Risk Rate (SRR). The Standard Risk Rate is the average premium charged for comparable coverage by the five largest Member Plans. The statute allows the rate for Preferred Provider Plans to be set between 110-125% of the SRR.

Rates for WSHIP's Medicare plans were set at 150% of the SRR for enrollees age 65 and over; and 110% of the SRR for enrollees under age 65. The statute allows the rates for these plans to be set between 110-150%.

Enrollees with prior continuous coverage and/or three years of WSHIP coverage also qualified for additional discounts so long as the rate they pay is not below 110% of the SRR.

The average percent of SRR paid by enrollees in 2020 was 110% for non-Medicare plans and 116% for Medicare plans.

In 2020, premiums totaled \$8.2 million. Approximately 64% of all enrollees' premiums were paid by a third party.

The percent of total costs covered by premium was 27.5%

#### **2. Member Plan Assessments**

Claims and operating expenses that exceed the total of premium income 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. 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.

In 2020, Member Plan assessments totaled \$24.5 million (an estimated \$0.59 pmpm).

The percent of total costs covered by assessments was 72.5%.

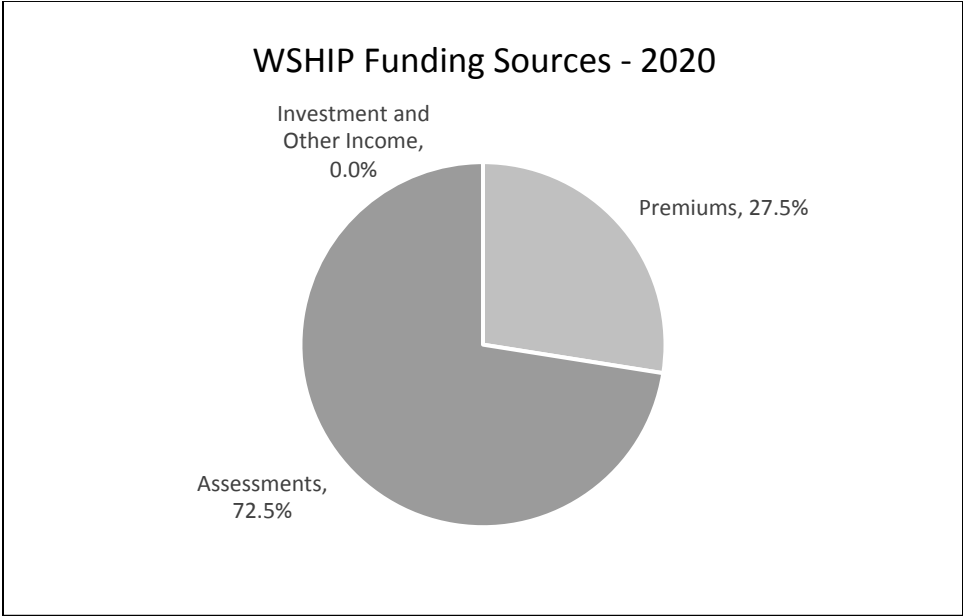
#### **3. Interest Income**

Interest earned on funds held by WSHIP for future claim payments totaled \$22,058.



**4. Allocated Funds**

Under RCW 48.41, the Pool has a general account with the state treasurer; however, it is not funded. The account can provide funds for WSHIP 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 maximum in the past, no funds have been allocated to the account by the Legislature.



## 2020 HIGHLIGHTS

### *Financial Information*

#### **Claims Costs**

##### **Total Claims Costs**

Total claims paid in 2020 were \$27.9 million, a decrease of 25.6% from 2019. 63% of claims were for medical claims and 37% for prescription drugs. The average cost per enrollee was \$21,168 compared to \$25,862 in 2019, a decrease of 18.9%.

<b>Total Claim Costs - 2020</b>		
		<i>Average cost per enrollee</i>
Medical Claims	\$17.7 million	\$13,429
Pharmacy Claims	\$10.2 million	\$ 7,739
<b>Total Claims</b>	<b>\$27.9 million</b>	<b>\$21,168</b>

##### **Non-Medicare vs. Medicare Claims Costs**

Claims costs for enrollees in our non-Medicare program are significantly higher than claims costs for enrollees in our Medicare program. This is because WSHIP pays secondary to Medicare on claims for enrollees in our Medicare program (like a Medicare supplement).

The following chart shows the medical and pharmacy claims costs for each program.

<b>Non-Medicare vs. Medicare Claim Costs - 2020</b>		
	<b>Non-Medicare</b>	<b>Medicare</b>
Medical Claims	\$8.3 million	\$9.4 million
Pharmacy Claims	\$9.4 million	\$0.8 million
<b>Total Claims</b>	<b>\$17.7 million</b>	<b>\$10.2 million</b>
<b>Loss Ratio</b>	<b>658%</b>	<b>188%</b>
<b>Claims Costs Per Member Per Month (PMPM)</b>	<b>\$7,375</b>	<b>\$760</b>

## 2020 HIGHLIGHTS

### Financial Information

#### Conditions Treated

#### Claims Costs by Major Diagnostic Category

The top diagnostic categories for total claims (medical and pharmacy) in 2020 were related to the treatment of HIV/AIDS and Kidney Disease. The following charts show the claims costs by diagnostic category for each program. Note: Enrollees were assigned a mutually exclusive diagnostic category based on the category which had the most allowed claims dollars.

Non-Medicare Claims by Diagnostic Category – 2020						
Diagnosis Category	Number of Members	Percent of Members	% of Total Claims	% of Medical Claims	% of Rx Claims	Total Claims Paid PMPM
HIV/AIDS Related	194	71.9%	30.3%	7.9%	50.4%	\$3,565
Kidney and Urinary Tract Disease	16	5.9%	29.1%	43.8%	16.0%	\$31,161
Other	25	9.3%	16.9%	7.5%	25.3%	\$11,320
Coagulation Defects	2	0.7%	11.4%	24.2%	0.0%	\$87,049
Neurological	6	2.2%	5.2%	8.3%	2.4%	\$13,244
Cancer	5	1.9%	2.6%	3.9%	1.4%	\$7,816
Heart Related	4	1.5%	1.8%	2.5%	1.2%	\$8,113
Arthritis and Joint Disorders	6	2.2%	1.7%	0.7%	2.5%	\$4,207
Spinal/Brain	1	0.4%	0.3%	0.7%	0.0%	\$5,328
Diabetes	3	1.1%	0.3%	0.3%	0.2%	\$2,111
Mental Disorders	3	1.1%	0.2%	0.2%	0.3%	\$1,153
Metabolic Disorders	3	1.1%	0.2%	0.1%	0.3%	\$1,106
Hepatitis C	0	0.0%	0.0%	0.0%	0.0%	\$0
No Claims Submitted	2	0.7%	0.0%	0.0%	0.0%	\$0
<b>TOTALS</b>	<b>270</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>\$7,626</b>

Notes: 270 unique members enrolled at some time during the calendar year 2020. Claims based on incurred date of service, paid through 1/31/21. Does not include IBNR. Enrollees assigned to a mutually exclusive diagnostic category based on the category which had the most allowed claims dollars.

Medicare Claims by Diagnostic Category – 2020						
Diagnosis Category	Number of Members	Percent of Members	% of Total Claims	% of Medical Claims	% of Rx Claims	Total Claims Paid PMPM
Kidney and Urinary Tract Disease	857	66.3%	76.1%	84.4%	2.0%	\$798
Other	136	10.5%	10.2%	5.9%	48.6%	\$650
Cancer	33	2.6%	2.8%	2.9%	2.0%	\$747
Diabetes	38	2.9%	2.7%	1.2%	15.9%	\$591
Neurological	37	2.9%	1.9%	1.3%	7.1%	\$430
Arthritis and Joint Disorders	21	1.6%	1.8%	1.3%	5.8%	\$691
HIV/AIDS Related	14	1.1%	1.6%	0.1%	14.8%	\$975
Heart Related	39	3.0%	1.6%	1.7%	0.3%	\$370
Mental Disorders	17	1.3%	0.7%	0.4%	3.5%	\$346
Spinal/Brain	20	1.5%	0.4%	0.4%	0.0%	\$179
Metabolic Disorders	3	0.2%	0.3%	0.4%	0.0%	\$1,590
Coagulation Defects	0	0.0%	0.0%	0.0%	0.0%	\$0
Hepatitis C	0	0.0%	0.0%	0.0%	0.0%	\$0
No Claims Submitted	77	6.0%	0.0%	0.0%	0.0%	\$0
<b>TOTALS</b>	<b>1,292</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>\$710</b>

Notes: 1,292 unique members enrolled at some time during the calendar year 2020. Claims based on incurred date of service, paid through 1/31/21. Does not include IBNR. Enrollees assigned to a mutually exclusive diagnostic category based on the category which had the most allowed claims dollars.

## 2020 HIGHLIGHTS

### *Financial Information*

#### **Pharmacy**

##### **Total Pharmacy Costs by Therapeutic Category**

The ten indications identified below represented 89.5% of total pharmacy costs in 2020 led by those related to the treatment of HIV/AIDS.

Top 10 Indications by Pharmacy Cost				
2020 Rank	Indication	Patients	Plan Cost	Plan Cost PMPM
1	HIV	215	\$4,826,372	\$300
2	HEREDITARY ANGIOEDEMA	2	\$1,405,619	\$87
3	URINARY DISORDERS	58	\$1,306,623	\$81
4	CYSTIC FIBROSIS	2	\$652,795	\$41
5	INFLAMMATORY CONDITIONS	24	\$331,162	\$21
6	PAIN/INFLAMMATION	174	\$200,309	\$12
7	MULTIPLE SCLEROSIS	3	\$162,347	\$10
8	OPHTHALMIC CONDITIONS	24	\$119,705	\$7
9	DIABETES	87	\$113,862	\$7
10	SEIZURES	52	\$107,865	\$7

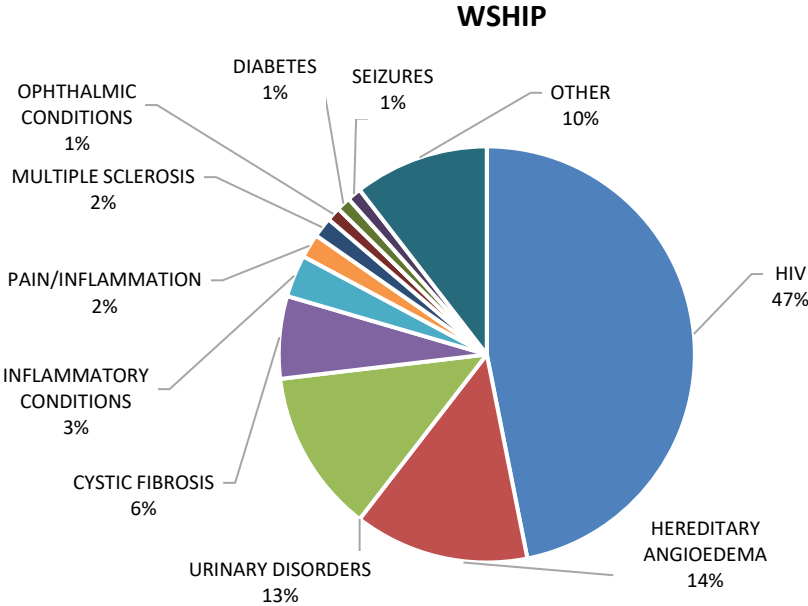
#### **HIV/AIDS Drugs**

In 2020, 47% of the total pharmacy benefits paid were related to the treatment of HIV/AIDS. These drugs continue to dominate the Pool's top 25 drugs by cost. Enrollees with HIV/AIDS have pharmacy claims costs approximately 10 times higher than the average WSHIP enrollee.

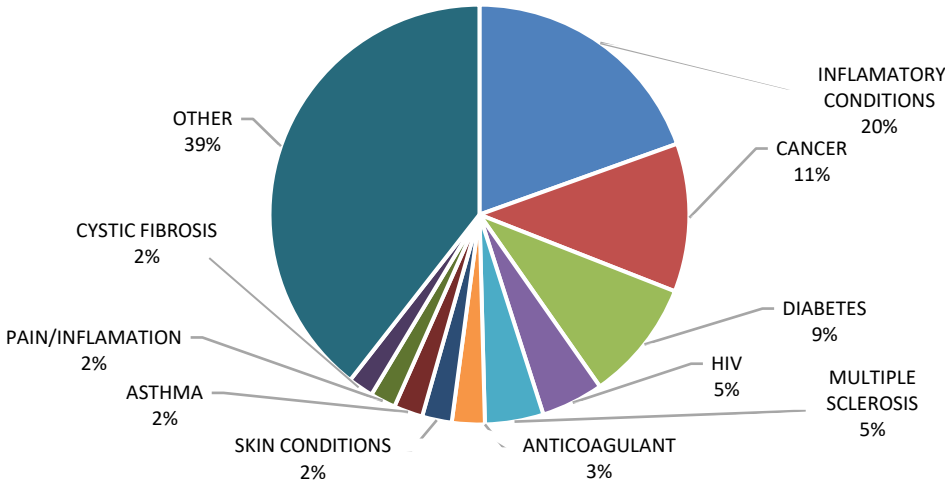
Top 25 Drugs by Pharmacy Cost					
2020 Rank	Drug Name	Indication	Patients	Plan Cost	Plan Cost PMPM
1	TAKHZYRO	HEREDITARY ANGIOEDEMA	2	\$1,366,732	\$85
2	PROCYSBI	URINARY DISORDERS	2	\$1,289,424	\$80
3	BIKTARVY	HIV	47	\$936,685	\$58
4	GENVOYA	HIV	33	\$736,776	\$46
5	TRIKAFTA	CYSTIC FIBROSIS	2	\$633,394	\$39
6	TIVICAY	HIV	46	\$549,477	\$34
7	TRIUMEQ	HIV	28	\$529,460	\$33
8	DESCOVY	HIV	37	\$499,049	\$31
9	ODEFSEY	HIV	19	\$270,397	\$17
10	TRUVADA	HIV	19	\$192,372	\$12
11	PREZISTA	HIV	14	\$165,291	\$10
12	PREZCOBIX	HIV	11	\$141,051	\$9
13	JULUCA	HIV	8	\$109,247	\$7
14	CYSTARAN	OPHTHALMIC CONDITIONS	2	\$102,936	\$6
15	BOSULIF	CANCER	1	\$95,523	\$6
16	COMPLERA	HIV	4	\$94,810	\$6
17	AVONEX	MULTIPLE SCLEROSIS	1	\$91,037	\$6
18	ISENTRESS	HIV	9	\$90,647	\$6
19	ATRIPLA	HIV	6	\$75,422	\$5
20	GENOTROPIN*	GROWTH DEFICIENCY	1	\$74,916	\$5
21	STRIBILD	HIV	4	\$68,576	\$4
22	HUMIRA	INFLAMMATORY CONDITIONS	2	\$63,747	\$4
23	PERCOCET	PAIN/INFLAMMATION	1	\$61,364	\$4
24	OXYCONTIN	PAIN/INFLAMMATION	4	\$58,431	\$4
25	XIFAXAN	GI DISORDERS	6	\$56,549	\$4

**Pharmacy Costs – How WSHIP Compares to Others**

WSHIP’s prescription drug costs are higher than the commercial market due to the health conditions of WSHIP enrollees. The percentage of WSHIP enrollees with HIV/AIDS is also significantly higher. These enrollees have pharmacy costs approximately 10 times higher than the average WSHIP enrollee. Shown below is a comparison of WSHIP to Express Scripts’ commercial business in 2020.



**Express Scripts Commercial Business**



## 2020 HIGHLIGHTS

### *Financial Information*

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#### **Pharmacy Clinical Programs**

WSHIP has coverage authorization programs, including step therapy, quantity management and prior authorization. The goal of these programs is to ensure WSHIP enrollees get the right drug at the right dose and at the right price for both traditional and specialty medications.

#### **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. This results in lower out-of-pocket costs for enrollees and lower pharmacy claim costs for WSHIP. In 2020, the total estimated SPAP savings to WSHIP was \$2.6 million.

#### **Cost Containment**

WSHIP utilizes the First Choice Health Network for its provider network and claims pricing. In 2020, 99% of claim dollars were paid to network providers. Eligible charges were discounted an average of 47% as a result of network provider contracts. These negotiated provider discounts reduced the Pool's medical claims costs by \$10 million.

Pharmacy cost savings were achieved through Express Script's pharmacy network. These discounts reduced the Pool's pharmacy costs by \$6.1 million in 2020.

#### **Administrative Expenses**

Total administrative expenses for 2020 were \$1.9 million or 6% of total expenses.

## BOARD OF DIRECTORS & ADMINISTRATION

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### Board Members



**Cary Ancheta**, appointed by the governor in 2019, is a representative for consumers. Cary is an insurance counselor with DaVita Dialysis in the Western Washington regions where she has been serving end stage renal patients since 2006. In her role as an insurance counselor, she is advocating for patients' health and insurance needs, as well as educating patients on their insurance options and available programs to meet the costs of dialysis care. During her time at DaVita, Inc., she spent 3 years assisting veteran patients in obtaining needed authorizations for community-based care, a true passion coming from a 30-year Air Force Family.



**William (Bill) Ely** is a representative for Health Maintenance Organizations, elected in 2018. Bill oversees actuarial functions for Kaiser Permanente Washington, Kaiser Permanente Northwest (Oregon) and Kaiser Permanente Hawaii. He previously was responsible for actuarial functions for individual and small group lines of business for Kaiser Permanente nationally. He has served on the Board of Directors for both Oregon's Temporary Reinsurance Program and the Oregon Medical Insurance Pool.



**Rick Hourigan MD**, appointed by the Governor in 2019, is a representative for providers. Rick is a board certified family physician. A Washington native, he graduated from Benedictine College with an undergraduate degree and then to the University of Kansas Medical School before returning to central Washington where he practiced for nearly 30 years. He returned to school to earn an MHA from the University of Washington in 2012. Rick started working in the health insurance industry as medical director with Confluence Health, focusing on moving providers towards Value Based Care. During his tenure he served on numerous boards, including regional Medicaid transformation projects. More recently Rick has started working for Cigna Insurance as their Market Medical Executive for the Pacific Northwest where he continues to work with provider groups in improving quality and value for plan members.

## BOARD OF DIRECTORS & ADMINISTRATION

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**Sarah Kwiatkowski** is a representative for Health Care Service Contractors, elected in 2020. She is the Senior Legislative Policy Manager, Congressional and Legislative Affairs for Premera. Sarah joined Premera in 2018 as a member of the Regulatory Affairs team. Prior to coming to Premera, she worked for various health care and consumer advocacy organizations in both public policy and legal advocacy including at Community Health Plan/Community Health Network of Washington, the Office of the Insurance Commissioner, and Northwest Health Law Advocates.



**Alison Mondt**, appointed by the Governor in 2015, is a representative for consumers. Alison is the Policy Director for Arcora 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 an Executive Masters in Public Administration from the University of Washington.



**Molly Nollette** joined the Board in 2018 as an ex-officio, non-voting board member representing the Insurance Commissioner. She joined the Office of Insurance Commissioner in 2010 to work on the newly passed Affordable Care Act, and was appointed to her current position as Deputy Commissioner for Rates, Forms, and Provider Networks in 2013. Molly and her team are responsible for ensuring that Health and Disability, Property and Casualty, and Life and Annuities insurance plans sold in Washington comply with state and federal law and regulations. As Deputy Commissioner she is active in advancing and implementing the Commissioner's policy and legislative agenda, including representing him at multiple national and state forums including the National Association of Insurance Commissioners and the Washington state Health Care Cost Transparency Board. Prior to joining the OIC, Molly worked at Starbucks Coffee Company, where she led a shared services team that supported a global department focused on employee and customer safety and security. Molly was awarded a B.A. from Reed College and J.D. from Tulane University School of Law.



## BOARD OF DIRECTORS & ADMINISTRATION

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**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. 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 Senior Business Manager focusing on large employer issues. From 2007 to 2015, Mark was the Legislative Chair for the Washington Association of Health Underwriters. Mark is actively involved in several non-profit organizations and currently serves on the Board of Directors for Families Like Ours and the Program Committee and Advisory Board for Treehouse. These organizations provide financial and administrative support to pre- & post-adoptive families.



**Sheela Tallman** is a representative for Disability/Stop Loss Member Plans, elected in 2020. She previously served on the Board from 2014-2018. She is Vice President of External Affairs for UnitedHealth Group overseeing state advocacy and public policy engagement in Washington, Oregon, and Alaska. Prior to joining UnitedHealth Group, she was Senior Manager of Legislative Policy and Senior Legislative Affairs Executive for Premera Blue Cross. She was also a Manager at Deloitte Consulting focused on public sector clients for Federal and State Governments working on healthcare strategy, operations, and technology integration projects. Sheela has a Bachelor of Science degree in Biology from Tufts University and has dual Masters' 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 OF DIRECTORS & ADMINISTRATION

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### **Board Members Ending Their Terms in 2020**

We extend our appreciation to the following Board members who served on the WSHIP Board in 2020:



**Hiu-wan Ko** was a representative for Health Care Service Contractors, elected in 2018. Hiu-wan is Director of Actuarial Services at Premera Blue Cross. She manages a team that is responsible for premium rate-setting for individuals, small groups, large groups and senior insurance plans sold in Washington and Alaska. She began her actuarial career as a rating analyst at the Washington Office of the Insurance Commissioner (OIC) in 1995. She joined Premera in 1998 and has over twenty years of healthcare insurance experience related to the industry. Hiu-wan graduated from the University of Washington in 1995 with a Master's Degree in Statistics. She is a Fellow of the Society of Actuaries and has been a member of the American Academy of Actuaries since 2014.



**Kristy Valdez** was a representative for Disability/Stop Loss Member Plans, elected in 2017. She is a Director of Network Management with UnitedHealthcare with a background in physician contracting. Kristy has been with United since 2010 and is currently responsible for provider network strategy in Washington and Alaska, with a focus on UnitedHealthcare's Community Plan. Kristy has a particular passion around rural and community-based healthcare, and she serves as a Tribal Liaison for UnitedHealthcare for American Indian/Alaska Native health within Washington. She holds a Bachelor of Arts with Distinction in Communication & Cultural Studies from the University of Washington.

# **BOARD OF DIRECTORS & ADMINISTRATION**

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## **Board Committees**

### **Executive Committee**

Chair as of December 31, 2020: Kristen Walter Wright. The following Board members served on this committee in 2020: Bill Ely, Alison Mondi, Mark Rose and Kristy Valdez.

### **Governance Committee**

Chair as of December 31, 2020: Cary Ancheta. The following Board members served on this committee in 2020: Molly Nollette from the Office of the Insurance Commissioner (OIC) and Kristen Walter Wright.

### **Grievance Committee**

Chair as of December 31, 2020: Alison Mondi. The following Board members served on this committee in 2020: Pam Brannan from the Office of Insurance Commissioner (OIC), Mark Rose, Sheela Tallman and Kristy Valdez also served on this committee.

### **Planning Committee**

Chair as of December 31, 2020: Bill Ely. The following Board members served on this committee in 2020: Cary Ancheta, Richard Hourigan, Sarah Kwiatkowski and Hiu-wan Ko.

# BOARD OF DIRECTORS & ADMINISTRATION

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## Administration

### Executive Director



**Sharon 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 31 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. Sharon serves on the Board of Directors for National Association of State Comprehensive Health Insurance Plans (NASCHIP).

### Executive Assistant



**Anita Wuellner** is WSHIP's Executive Assistant and has been with WSHIP since 2009. Anita has over 12 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 she 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 and President of North County Outlook, a community newspaper in Marysville, Washington.

### Administrator

Benefit Management LLC (BML)  
1-800-877-5187  
[www.wship.org](http://www.wship.org)

### Preferred Provider Network

First Choice Health  
1-800-231-6935  
[www.fchn.com](http://www.fchn.com)

### Pharmacy Benefits Manager

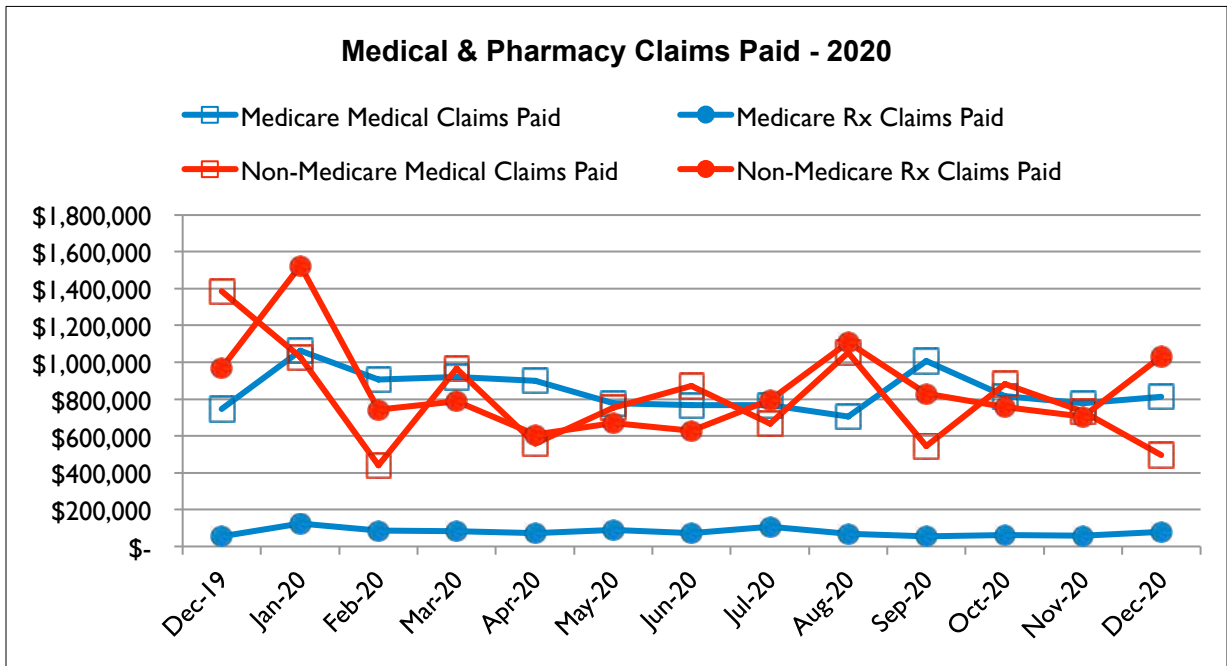
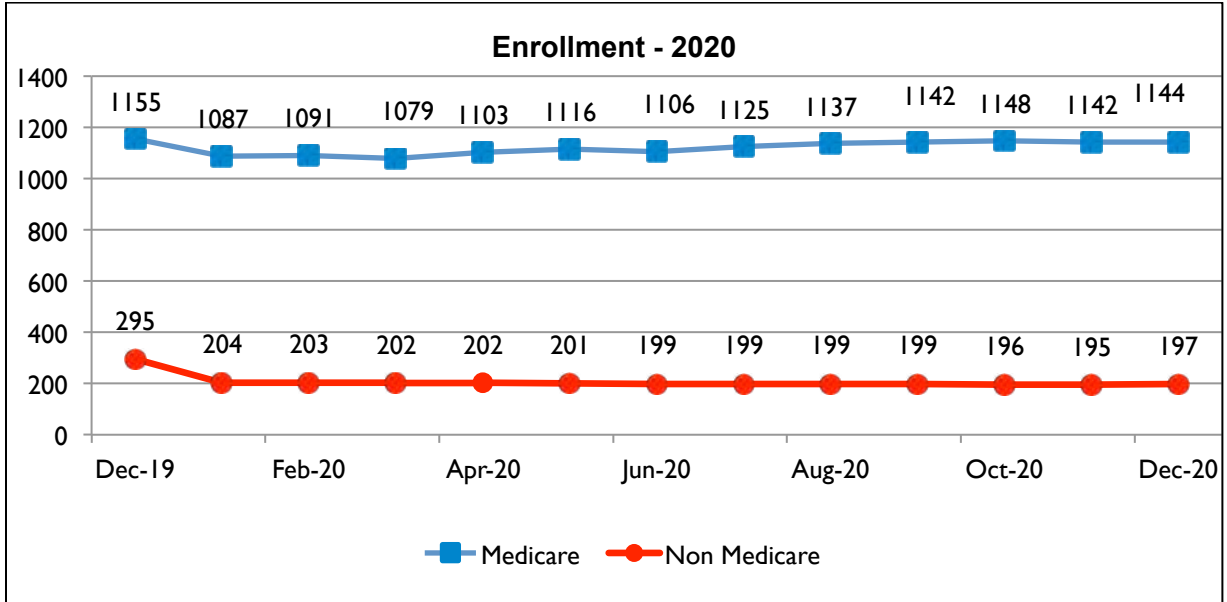
Express Scripts  
1-800-859-8810  
[www.express-scripts.com](http://www.express-scripts.com)

### Care Management

MedWatch  
1-800-549-7549  
[www.urmedwatch.com](http://www.urmedwatch.com)

## APPENDIX I - CHART A

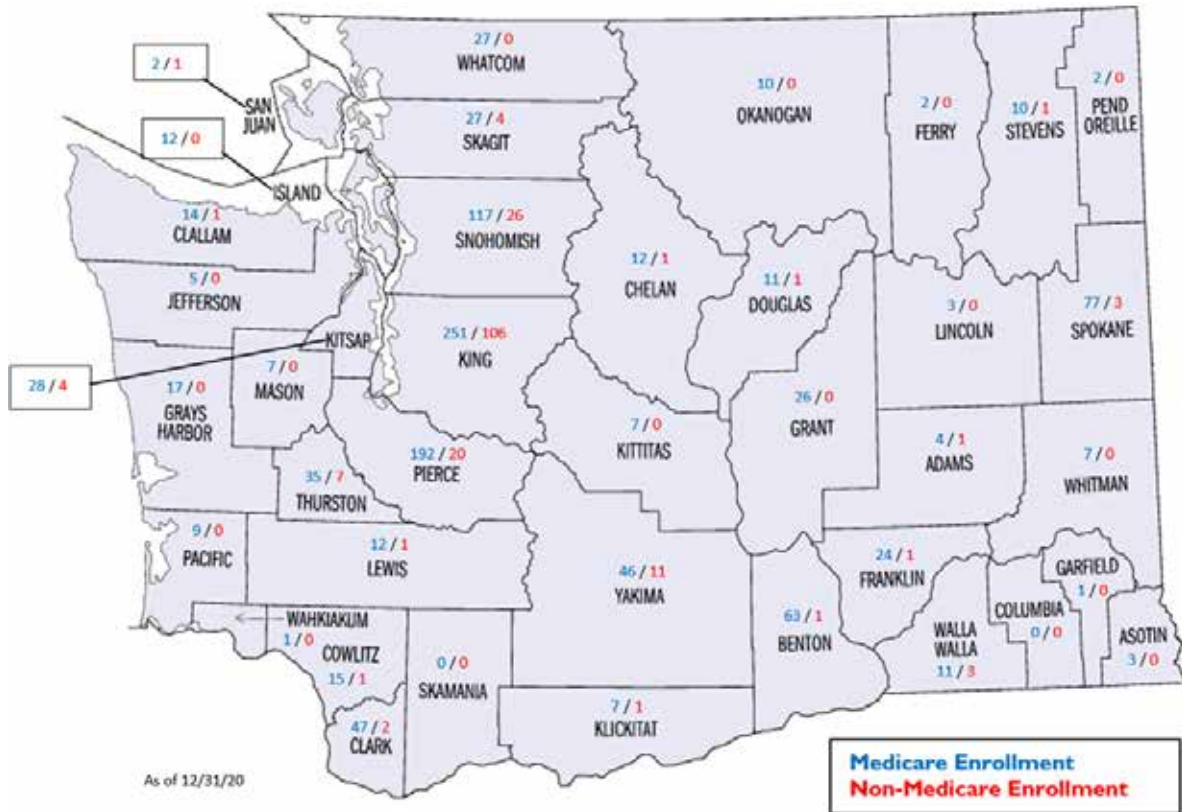
### Enrollment & Claims Summaries



# APPENDIX I – CHART B

## Enrollment by County

### Enrollment by County – 2020

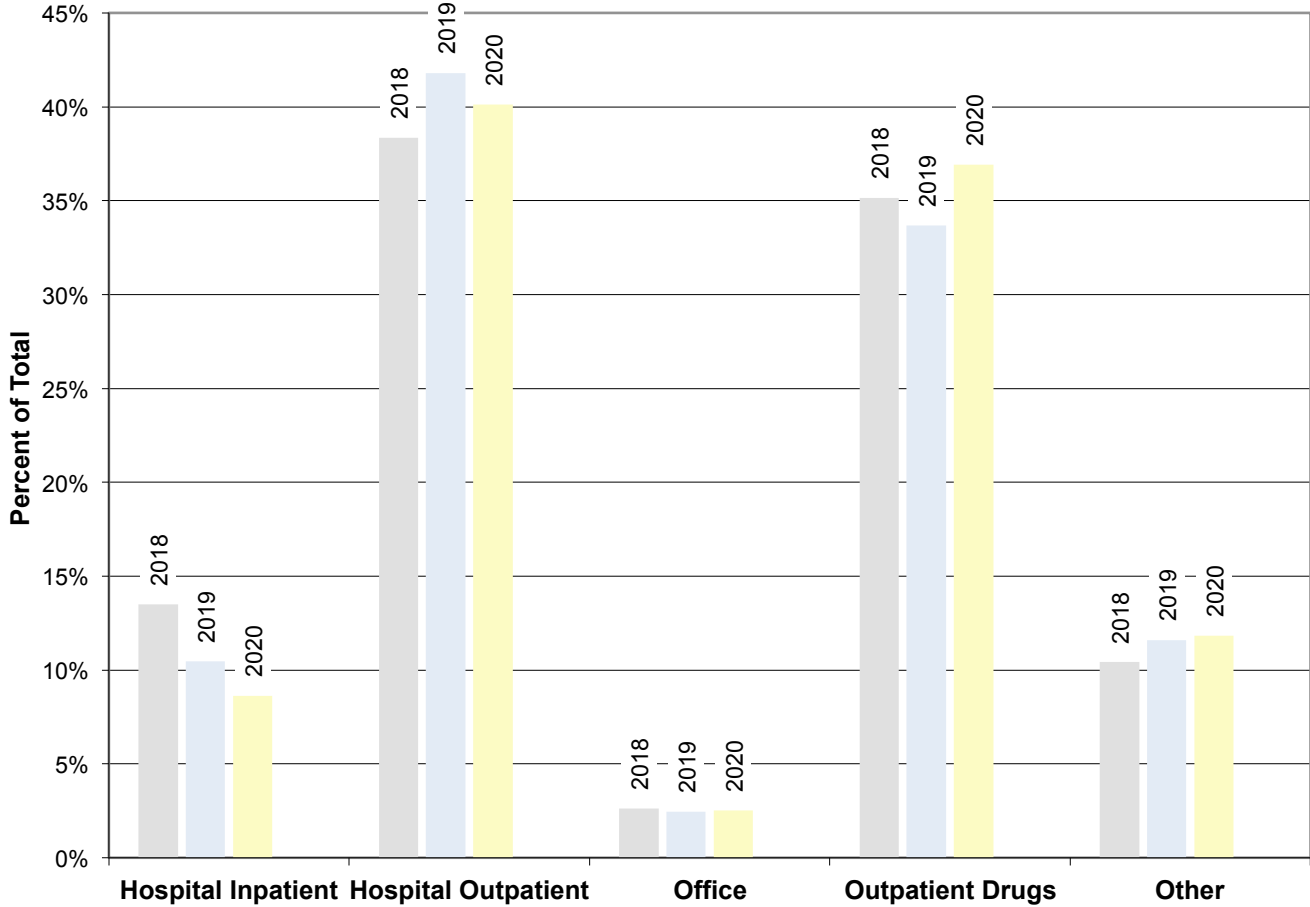


# APPENDIX I – CHART C

## *Distribution of Claim Payments by Place of Service*

### Distribution of Claim Payments by Place of Service 2018–2020

This chart illustrates the total annual combined Medicare and Non-Medicare medical and pharmacy claims paid 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, 1988–2020; 2021 Projected - Part 1

Year	Avg Enroll. <sup>1</sup>	Premiums	Total Revenues <sup>2</sup>	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	(\$36,026,341)
2016	1467	\$11,080,165	\$11,128,252	\$40,393,344	\$2,214,247	\$42,607,591	(\$31,479,339)
2017	1459	\$11,820,118	\$11,884,626	\$37,386,342	\$2,118,887	\$39,505,229	(\$27,620,603)
2018	1429	\$12,211,368	\$12,318,141	\$38,725,315	\$2,293,930	\$41,019,245	(\$28,701,104)
2019	1405	\$12,019,243	\$12,155,085	\$37,460,982	\$1,924,105	\$39,385,087	(\$27,230,002)
2020	1318	\$8,159,335	\$8,174,887	\$27,924,914	\$1,873,606	\$29,798,520	(\$21,623,633)
2021 Proj	1382	\$8,540,419	\$8,541,619	\$31,345,802	\$1,930,747	\$33,276,549	(\$24,734,930)
<b>Total</b>			\$431,452,485	\$1,225,864,706	\$59,713,196	\$1,285,577,902	(\$854,124,917)

**Notes:**

<sup>1</sup> Enrollment 1988 - 2000 as of year-end; 2001 and following average monthly enrollment.

<sup>2</sup> 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.

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

\*\*\* Enrollment decreased significantly in 2014 due to members transitioning to the new Health Benefit Exchange.



## APPENDIX I - CHART D

### WSHIP Enrollment & Financial Summary

#### WSHIP Enrollment & Financial Summary, 1988–2020; 2021 Projected - Part 2

Year	Assessments	Costs pmpm <sup>1</sup>	Premium pmpm <sup>2</sup>	% 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	\$33,999,828	\$2,481	\$604.32	24.4%	5.2%	(\$22,516.46)
2016	\$31,353,672	\$2,420	\$629.41	26.0%	5.2%	(\$21,458.31)
2017	\$27,137,353	\$2,256	\$675.13	29.9%	5.4%	(\$18,931.19)
2018	\$25,500,000	\$2,392	\$712.12	29.8%	5.6%	(\$20,084.75)
2019	\$28,000,000	\$2,336	\$712.89	30.5%	4.8%	(\$19,380.78)
2020	\$24,500,000	\$1,884	\$515.89	27.5%	6.3%	(\$16,406.40)
2021 Proj	\$24,500,000	\$2,007	\$514.98	25.7%	5.8%	(\$17,897.92)
<b>Total</b>	<b>\$892,782,306</b>					

**Notes:**

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

<sup>2</sup> Premiums include investment income prior to 2005

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

\*\* 2014 Assessments includes a \$20.8 million assessment for a state mandated payment to the Washington Health Benefit Exchange.

## APPENDIX II - FINANCIAL STATEMENTS

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### Independent Auditors' Report

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, 2020 and 2019 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 the accounting practices prescribed or permitted by the Office of the Insurance Commissioner of the State of Washington (described in Note 1) and 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.

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, 2020 and 2019, and the results of its operations and cash flows for the years then ended in accordance the accounting practices prescribed or permitted by the Office of the Insurance Commissioner of the State of Washington (described in Note 1) and accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

*Basis of Accounting*

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared 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. Our opinion is not modified with respect to that matter.

*Petrow Kane Leemhuis*

April 12, 2021

# Washington State Health Insurance Pool

## Balance Sheets

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
Cash and short term investments	\$ 9,501,959	\$ 6,076,373
Assessments receivable	1,055,564	3,527,764
Uncollected premiums	282,416	78,013
Total assets	<u>\$ 10,839,939</u>	<u>\$ 9,682,150</u>
 <b>Liabilities and unassigned surplus</b>		
Unpaid claims	\$ 3,892,000	\$ 5,683,000
Unpaid claims adjustment expenses	272,000	294,000
Premiums received in advance	284,193	237,625
Assessments payable	231,604	206,723
General expenses due and accrued	113,817	112,902
Total liabilities	<u>4,793,614</u>	<u>6,534,250</u>
 Unassigned surplus	 6,046,325	 3,147,900
Total liabilities and unassigned surplus	<u>\$ 10,839,939</u>	<u>\$ 9,682,150</u>

## Washington State Health Insurance Pool

### Statements of Operations and Unassigned Surplus

	<b>Years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Operating revenues:		
Net premium income	<b>\$ 8,174,887</b>	\$ 12,019,243
	<b>8,174,887</b>	12,019,243
Program expenses:		
Hospital and medical benefits	<b>27,924,914</b>	37,460,982
	<b>27,924,914</b>	37,460,982
Management and administrative expenses		
General and administrative expenses	<b>1,344,444</b>	1,272,224
Claim adjustment expenses	<b>529,162</b>	651,881
	<b>1,873,606</b>	1,924,105
Total operating expenses	<b>29,798,520</b>	39,385,087
Operating loss	<b>(21,623,633)</b>	(27,365,844)
Non-operating revenues:		
Investment and other income	<b>22,058</b>	135,842
	<b>22,058</b>	135,842
Loss before assessments	<b>(21,601,575)</b>	(27,230,002)
Assessments	<b>24,500,000</b>	28,000,000
Change in unassigned surplus	<b>2,898,425</b>	769,998
Unassigned surplus at beginning of year	<b>3,147,900</b>	2,377,902
Unassigned surplus at end of year	<b>\$ 6,046,325</b>	\$ 3,147,900

*See accompanying notes and independent auditors' report.*

# Washington State Health Insurance Pool

## Statements of Cash Flows

	<b>Years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>Operating activities</b>		
Premiums collected	\$ 8,017,052	\$ 10,629,571
Claims and claims adjustment expenses paid	(29,848,711)	(37,092,087)
General administrative expenses paid	(1,761,894)	(1,770,949)
Cash used by operating activities	(23,593,553)	(28,233,465)
<b>Investing activities</b>		
Investment and other income	22,058	135,842
Cash provided by investing activities	22,058	135,842
<b>Financing activities</b>		
Assessments collected	26,997,081	30,150,559
Cash provided by financing activities	26,997,081	30,150,559
Net increase in cash and cash equivalents	3,425,586	2,052,936
Cash and short term investments at beginning of year	6,076,373	4,023,437
Cash and short term investments at end of year	\$ 9,501,959	\$ 6,076,373

Washington State Health Insurance Pool  
Notes to Financial Statements  
December 31, 2020 and 2019

**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.

**Basis of Presentation**

The accompanying financial statements have been prepared 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. Estimates in the accompanying financial statements include amounts recorded for the liabilities for unpaid claims and related expenses. 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**

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. 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, 2020 and 2019

**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 since the Pool has the authority to assess member carriers 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, 2020 and 2019, cash balances were fully insured.

**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 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 2019, 2018 and 2017 tax returns are subject to examination by the Internal Revenue Service.



Washington State Health Insurance Pool  
Notes to Financial Statements (continued)  
December 31, 2020 and 2019

**2. 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:

	<b>Years ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balances at January 1	\$ 5,977,000	\$ 5,442,000
Policy benefits incurred related to:		
Current year	29,758,487	38,791,124
Prior years (redundancy)	(1,833,573)	(1,330,142)
Total policy benefits incurred	27,924,914	37,460,982
 Paid related to:		
Current year	25,599,004	32,814,124
Prior years	4,138,910	4,111,858
Total paid	29,737,914	36,925,982
Balances at December 31	\$ 4,164,000	\$ 5,977,000

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.

**3. Plan Administration Agreement**

The Pool has outsourced its administrative services to Benefit Management LLC, a Kansas based third party administrator, under a service agreement effective through December 2020. 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 LLC in 2020 and 2019 were \$908,287 and \$971,489, respectively, and are included in management and administrative expenses in the accompanying statements of operations and unassigned surplus.

**4. 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, 2020 or 2019, nor were there any borrowings against this line during 2020 or 2019.

Washington State Health Insurance Pool  
Notes to Financial Statements (continued)  
December 31, 2020 and 2019

**5. Functional Classification of Expenses**

Functional classification of expenses for the Pool for the years ended December 31 consisted of the following:

	<b>2020</b>	<b>2019</b>
Program (claims)	<b>\$ 27,924,914</b>	\$ 37,460,982
Management and administrative	<b>1,873,606</b>	1,924,105
Total operating expenses	<b><u>\$ 29,798,520</u></b>	<b><u>\$ 39,385,087</u></b>

**6. Analysis of Cash Flow**

The Pool had \$10,839,939 and \$9,682,150 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash of 9,501,959 and \$6,076,373, assessments receivable of \$1,055,564 and \$3,527,764, and uncollected premiums of \$282,416 and \$78,013 at December 31, 2020 and 2019, respectively. All of the Pool's financial assets are to be used to pay claims and operating expenses. When at any time claims and operating expenses are projected to exceed premium revenue, the Pool has the statutory authority to assess the insurance carriers writing business in the State of Washington for cash flow to cover the losses. The Pool also has the capability of drawing upon it's line of credit noted in Note 4.

**7. Subsequent Events**

In accordance with ASC 855 *Subsequent Events*, the Pool has evaluated subsequent events through April 12, 2021, 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.