



OVERVIEW: MONTANA REINSURANCE ASSOCIATION

The Montana Reinsurance Association, created under chapter 210, Laws of 2019 (Senate Bill 125), is intended to help insurers that participate in the health insurance exchange offset the costs associated with high-cost enrollees and, in turn, avoid increasing premiums because they can use the "reinsurance" payment to help pay the high-cost claims. The program, authorized by state law, had to receive a waiver from the Centers for Medicare and Medicaid through what is called a Section 1332 State Innovation Waiver. The waiver, required by SB 125 to be submitted by July 1, 2019, allows access to federal funds seen as savings from a two-fold approach:

- insuring more people at a cost lower than might otherwise happen; and
- supporting insurance companies by stabilizing the market so that one insurer does not inadvertently insure all the high-risk individuals. This support, in turn, is expected to help retain more insurers in the individual market.

The Montana Reinsurance Association is an unusual hybrid somewhat similar to the former Montana Comprehensive Health Association. Both are/were described in statute. Both are/were comprised of insurer board members. Both are/were nonprofit corporations. Their function was similar in that MCHA oversaw a fund that helped people to get insurance if they were denied coverage because of pre-existing conditions. The Reinsurance Association operates somewhat differently but also uses assessments on insurers to establish a fund tapped to cover the costs of high-cost claims (often from those same people that would have been denied coverage before the Affordable Care Act).

Duties/Responsibilities:

Commissioner and the Board of Directors

As described in statute, both the State Auditor, as the Commissioner of Insurance, and the Board of Directors have duties. In some cases state-private cooperation is required, as in rulemaking. Statute allows but does not require the Commissioner to handle rulemaking but says the commissioner shall work in conjunction with the Board of Directors. See table for distribution of duties. A website at <http://reinsurance.mt.gov/> shows the state connection.

Board of Directors	Representing
Collette Hanson	Blue Cross Blue Shield of Montana
Richard Miltenberger	Montana Health Co-op
Cody Langbehn	PacificSource Health Plan
Richard Daniels Commissioner's appointment	Allegiance Benefit Plan Management
Mike Batista Governor's appointment	AARP

Board Members

Under 33-22-1306, MCA, the five-member Association Board of Directors is to consist of:

- Three directors with one from each "eligible health insurer" with the largest enrollment in the individual market. If fewer than three insurers participate in the individual market, the board will choose a third insurance representative involved in major medical insurance.
- One insurance director appointed by the commissioner of insurance; and
- One person appointed by the governor to represent the public interest.

Commissioner Duties (Under 33-22-1307, MCA)	Board Duties (Under 33-22-1308, MCA)
<ul style="list-style-type: none"> Oversees activities of the association/board and approves the plan of operation 	<ul style="list-style-type: none"> Adopt a plan of operation and reinsurance parameters by June 15, 2019, and update as needed prior to May 1 each year
<ul style="list-style-type: none"> Examines the affairs of the board/program 	<ul style="list-style-type: none"> Establish administrative and accounting procedures
<ul style="list-style-type: none"> Collects the assessment and federal funds (in conjunction with the association) 	<ul style="list-style-type: none"> Select an administrator. The administrator will make reinsurance payments.
<ul style="list-style-type: none"> Requires health insurers to calculate and report what premiums would be without reinsurance 	<ul style="list-style-type: none"> Prepare an annual report on operations and finance to be submitted to the Commissioner and the Economic Affairs Committee by June 30, beginning in 2020.
<ul style="list-style-type: none"> Designates staff to attend association meetings and participate as an ex officio member 	<ul style="list-style-type: none"> Arrange for a review by an independent certified public accountant, with the review to be submitted to the commissioner and the Economic Affairs Committee by June 30

Staffing

The Board of Directors was required to hire an association administrator. The administrator either could be an employee of the association or an independent contractor. Duties are provided in 33-22-1309, MCA, including payment of reinsurance claims. The Commissioner also assigns staff to attend meetings, without added costs to the office, as noted in the [fiscal note](#) for SB 125 (2019). The Association put out a [request for proposals](#) in March 2020 for a 3-year contract and selected River9 Consulting of Boise, Idaho, to serve as the administrator.

Funding

Under a retroactivity provision in SB 125, the Montana Reinsurance Association, in conjunction

SB125 Fiscal Note			Expenses	2019	2020
Expenditures	FY2020	FY2021	Contract Preparation	\$45,000	\$30,000
State Special	\$10,075,020	\$9,973,670	Operating Expenses		
Federal Special	\$34,069,425	\$34,069,425			

with the Insurance Commissioner, could impose assessments on eligible health insurers operating in Montana, except for those self-insurers or those insurers writing limited lines and not providing insurance in the individual market. Basically, the eligible insurers also are those offering insurance on the health exchange because they must provide essential benefits. The definition of "eligible health insurer" in 33-22-1303, MCA, lists requirements and exclusions.

Each eligible insurer is assessed 1.2% of the total volume of premiums covering Montana residents regardless of the type of license, although premiums for excepted benefits coverage are excluded. This money is put into a special revenue account and matched by money available from the federal government under the Affordable Care Act provisions for reinsurance.

Controls are set on reinsurance payments both through an attachment point (a claim threshold on individual claims), a co-insurance amount, and a reinsurance cap. Payment calculations are outlined in 33-22-1315, MCA.

Possible Topics of Interest

This is the first report for the Montana Reinsurance Association. The website has little information to date on expenses or payments, so it is unclear if any money has been paid out.