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.
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 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.