

MONTANA REINSURANCE PROGRAM

2022 ANNUAL OPERATIONS AND FINANCE REPORT

PROGRAM BACKGROUND

In 2014, the Patient Protection and Affordable Care Act (Affordable Care Act) required insurers operating in the individual market to accept all applicants regardless of their health status or pre-existing medical conditions and among other market reforms, prohibited annual and lifetime limits. These requirements contributed to higher premiums and an unstable individual market. In response, reinsurance programs emerged as one way to lower some of the insurers' costs for enrollees with high-cost claims. Reinsurance programs were enacted to help reduce overall premiums and incent insurers to remain in the individual insurance marketplace.

The state of Montana enacted the Montana Reinsurance Association Act in 2019 establishing its own reinsurance program.¹ Pursuant to the enabling legislation, Montana applied for a state innovation waiver under Section 1332 of the Affordable Care Act (1332 Waiver).² Montana's 1332 waiver application was approved by the federal government³ pursuant to specific terms and conditions (STCs) and is effective for a five-year period (January 1, 2020, through December 31, 2024).

2022 IN REVIEW AND ASSOCIATED METRICS

As of 2022, the Montana Reinsurance Program is in its third year of operation. Preserving and stabilizing Montana's individual health insurance market has been a key priority for Commissioner of Securities & Insurance (CSI) Troy Downing and the Reinsurance Association Board of Directors (Reinsurance Board). The reinsurance program has contributed to keeping the three insurance companies in the individual market, promoting market stability for insurers and choice for consumers – core objectives of the reinsurance program. In conjunction with the continued participation of all three carriers in the individual market, Montana has seen a steady increase in individual enrollment since 2020.

Notably, the reinsurance program has resulted in lower premium increases for three consecutive years, another core objective of the program. In 2022, insurers reduced their individual market premium increases, ranging from -7.54% to -11.58%. Premiums offered by the largest carrier in the state were 11.27% less than they would have been without the program. In particular, the lower premiums make coverage more affordable for individual market consumers who do not qualify for federal subsidies and must bear the full premium cost.

The CSI and Reinsurance Board are subject to various compliance obligations, including numerous reporting requirements to the federal government (as prescribed in the 1332 Waiver

¹ Title 33, chapter 22, part 13, Montana Code Annotated.

² Section 1332 allows states to apply to the federal government to waive certain provisions of the Affordable Care Act to implement programs to improve health insurance coverage. If a state's waiver plan is projected to reduce federal spending on marketplace subsidies, the federal government will pass those savings to the state to implement the waiver.

³ U.S. Department of Health & Human Services and U.S. Department of Treasury.

STCs)⁴ and the state of Montana⁵. In 2022, CSI and the Reinsurance Board timely complied with their respective reporting obligations.

Since the inception of the program, the Reinsurance Board and the CSI have leveraged their collective expertise in insurance, processes, and operations, and have worked collaboratively to implement and operationalize the Montana Reinsurance Program along with the program's administrator and independent auditors and actuaries. The federal government has been a collaborative partner and has provided valuable input and feedback on program development, management, and reporting expectations.

Sections 1 through 10 provide information and metrics specific to 2022 and prior years of operation (2020 and 2021) to provide a comprehensive overview of the reinsurance program.

1. GOVERNANCE

The Montana Reinsurance Association is governed by the Reinsurance Board. Per Section 33-22-1309, MCA, and pursuant to a request for proposal, the Reinsurance Board selected River 9 Consulting as the program administrator.

Commissioner Troy Downing oversees the activities of the reinsurance program and the Reinsurance Board. The Reinsurance Board hosts numerous public board meetings throughout the year – all attended by representatives of the CSI. In 2022, the Board and CSI representatives met seven (7) times. See Section 33-22-1307, MCA, for a list of CSI duties; see Section 33-22-1308, MCA, for a list of Reinsurance Board duties.

2022 Board of Directors	Representing
Richard Miltenberger Chairman	Mountain Health COOP
Collette Hanson	Blue Cross Blue Shield of Montana
Erik Wood	PacificSource
Richard Daniels Commissioner's appointment	Allegiance Benefit Plan Management
Tony Pfaff Governor's appointment	Deer Lodge Medical Center

⁴ Including four quarterly reports, an annual report which can substituted for the fourth quarterly report), and a pass-through funding report.

⁵ Section 33-22-1308(4) (Annual CPA Solvency & Compliance Annual Review Report) and Section 33-22-1308(5) (Annual Operations and Finance Report).

2. PLAN OF OPERATION

The Reinsurance Board is required to adopt a plan of operation that governs the conduct of the reinsurance program. CSI is required to approve the plan of operation and any associated amendments.

Year	Adopted Plan of Operation Submitted to CSI	Approved by CSI
2020	March 25, 2020	May 5, 2020
2021	May 7 and July 8, 2021	July 19, 2021
2022	April 26 and June 9, 2022	July 22, 2022

3. REINSURANCE PAYMENT PARAMETERS

Montana has a “claims-based” reinsurance program. The program reimburses insurers operating in the individual market a percentage (coinsurance rate) of all high-cost claims that exceed a specified threshold (attachment point) up to a reinsurance cap above which a claim stops being eligible for reinsurance payments (collectively, the payment parameters). For eligible claims incurred in 2022, an insurer will receive 60% of eligible costs paid on a claim between \$40,000 and \$106,100.

The payment parameter metrics are set annually by the Reinsurance Board and are approved by CSI.

Year	Attachment Point	Reinsurance Cap	Coinsurance
2020	\$40,000	\$101,750	60%
2021	\$40,000	\$101,750	60%
2022	\$40,000	\$106,100	60%

4. ANNUAL POST-AWARD FORUM

As required by the 1332 waiver, the CSI/Reinsurance Board holds an annual post-award forum to give the public an opportunity to provide comments on the progress of the 1332 waiver and program. The date, time, and location of every post-award forum is advertised 30 days in advance on the reinsurance website⁶. In 2022, no public comment was received.

Year	Date of Public Forum	Public Comment
2020	June 12, 2020	None
2021	May 19, 2021	None
2022	April 28, 2022	None

⁶ MRA | Montana Reinsurance Association (mtreinsurance.org)

5. REINSURANCE PROGRAM FUNDING

The Montana Reinsurance Program is funded through federal pass-through funding allocated on an annual basis and a 1.2% annual assessment based on an insurer's total major medical insurance premium volume covering Montana residents from the prior year (excluding self-funded group plans and excepted benefits coverage).

Year	Federal Pass-Through Funding	Insurer Assessments	Total Program Funding
2020	\$22,490,988	\$10,032,581	\$32,523,569
2021	\$30,818,509 ⁷	\$ 9,869,146	\$40,687,655
2022	\$29,734,004	\$9,902,718	\$39,636,722

6. CLAIMS SUBMISSION AND REIMBURSEMENT

Year	Estimated Claims Liability	Actual Claims Incurred and Submitted for Reimbursement	Actual Claims Reimbursed
2020	\$32,890,000	\$33,781,519*	\$25,209,519*
2021	\$39,115,504	\$39,369,466	\$39,369,466
2022	\$44,265,779	To be submitted by August 15, 2023	

** In accordance with the Plan of Operation, the reinsurance reimbursement cannot cause a carrier to fall below the 80% medical loss ratio limitation imposed by the ACA. This constraint was applied to one of the carriers resulting in a reimbursement amount that was significantly less than the claims submitted for reimbursement.*

For 2020 and 2021 claims submitted for reimbursement, CSI conducted an in-depth validation of reinsurance claims prior to payment of any claim. The claims audit included comparing reinsurance claims submitted to carrier data submitted to CMS' EDGE server. Please note that an additional audit is performed on claims by the independent auditor, Eide Bailly, who audits the claims.

To the extent there are insufficient funds to pay all program expenses and claims for reimbursement in any year, all claims for reimbursement will be reduced proportionately to prevent a deficiency in the funds, as provided in Section 33-22-1316(2), MCA.

⁷ Initial funding of \$23,688,514 and additional funding of \$7,129,995 under the American Rescue Plan

7. INDIVIDUAL MARKETPLACE ENROLLMENT

Marketplace enrollment in Montana has steadily increased each year since the reinsurance program was implemented.

Year	On-Exchange Individual Mkt Enrollment	Off-Exchange Individual Mkt Enrollment	Total Individual Mkt Enrollment
2020	38,418	9,515	47,933
2021	42,561	9,831	52,392
2022	48,128	8,873	57,001

8. PREMIUM RATE IMPACT

Due to the Montana Reinsurance Program, individual market premium rate increases have been lowered significantly each year since the program was implemented.

Year 2020	Carrier	With Reinsurance	Without Reinsurance
	#1	-14.1%	-6.7%
	#2	-11.9%	-3.9%
	#3	-13.4%	-4.7%

Year 2021	Carrier	With Reinsurance	Without Reinsurance
	#1	0.0%	10.5%
	#2	0.7%	11.1%
	#3	5.0%	14.6%

Year 2022	Carrier	With Reinsurance	Without Reinsurance
	#1	-2.00%	9.27%
	#2	4.50%	12.04%
	#3	-1.30%	10.28%

9. OPERATING COSTS

The Montana Reinsurance Program successfully operates using less than 2% of annual funding for operating expenses. The primary costs incurred by the program are for contracted program administration, actuarial services, annual independent audit services, and legal counsel, all of which help ensure that the Board and the program remain in compliance with federal and state requirements.

Year	Contracted Program Administration⁸	Professional Fees	Other Administrative Costs	Total Operating Expenses
2020	\$134,000	\$33,333	\$139	\$167,472
2021	\$275,000	\$ 21,910	\$181	\$297,091
2022	\$268,520	\$38,195	\$180	\$306,895

10. MONTANA LEGISLATIVE AUDIT

In 2022, the Montana Legislative Audit Division initiated an audit of CSI and the Montana Reinsurance Program. The audit is currently ongoing and is scheduled for completion later this year.

Montana Reinsurance Association



Richard Miltenberger

Submitted by Richard Miltenberger, Chairman, Montana Reinsurance Board of Directors on June 30, 2023

⁸ Contracted Program Administration includes the program administrator and actuarial services