

Bill Title: Market Stability and Reinsurance Act

Bill Explanation: This bill would authorize the state to administer a Rhode Island reinsurance program for the individual market, and to apply for a 1332 waiver to capture federal pass-through savings associated with the program. The program is contingent on federal waiver approval, as required to capture federal savings via a 1332 waiver.

The bill as written does not designate a funding source or obligate a state appropriation. It solely provides authorization. For the program to be implemented, a state funding source would have to be identified and funding appropriated through later legislation.

Reason for Introduction: Actions taken at the federal level to weaken the ACA have threatened to destabilize state insurance markets. In response, many states have begun to take action to stabilize their markets. For example, AK and MN reduced premiums by 20% and OR by 7%, by establishing a reinsurance program through a 1332 waiver.

Reinsurance works by creating a fund to partially protect insurers from high-cost enrollees, reducing both claim obligations and claim volatility. As a result, reinsurance allows insurers to reduce premium rates. Lower rates will keep people insured, particularly those who do not receive financial help to pay for coverage.

Under section 1332 of the Affordable Care Act, states may apply for a waiver of certain provisions of the law, and/or may collect and apply federal savings caused by state interventions. Federal subsidies, known as Advance Premium Tax Credits, are tied to the cost of premiums. A reinsurance program would lower premiums, and therefore produce federal savings. The 1332 waiver would allow the state to add those savings to the program, producing a larger premium reduction.

While, under current federal requirements, a funding source will be needed in addition to the federal dollars, to implement a reinsurance program, this bill will authorize the state to begin the application process, including the actuarial analysis required for federal review. The federal waiver process also requires the authorization for the creation of the reinsurance fund in state statute prior to the application.

Provisions of the Bill:

- Duties of the program administrator, including policy and regulatory authority to implement a reinsurance program;
- Authority for the state to apply for a 1332 waiver;
- Contingency of the reinsurance program on federal approval;
- Establishment of a restricted receipt fund for the reinsurance program; and
- Adding the restricted receipt account to the existing list of those exempt from indirect cost recovery

Fiscal Impact: No direct fiscal impact. In order for the program to be implemented, a state funding source would have to be identified and funding appropriated through later legislation. This bill does not require a funding source or obligate a state appropriation.

Similar Legislation Introduced in Other States: AK, MN, and OR have already been approved for 1332 waivers for reinsurance programs. Other states or in the process of applying include CA, CO, DC, HI, IA, LA, ME, MD, MT, NE, NH, NJ, NM, OK, PA, VT, WA, and WI.