



# Reinsurance Update

Michele Eberle, MHIP

Rebecca Pearce, MHBE



Maryland Health Insurance Plan

# Agenda

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- **Provide an update on reinsurance for 2014 plan year**
- **Review MHIP surplus funding**
- **Discuss next steps**

# Administering the Federal Reinsurance Program

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- Operational Aspects
  - Working with Wakely to define operational needs to implement
  - Working with CCIIO to understand their processes
    - ✦ Want to utilize the same processes as much as possible to alleviate impact on carriers
- Will begin true operations of program in April, 2014

# Federal Transitional Reinsurance Program

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- Objective to relieve health insurers of the risk of “adverse selection” and stabilize premiums in the individual market
- Temporary Program (2014-2016)
- \$20 billion in reinsurance funds from \$5.25 PMPM assessment on fully-insured and self-insured issuers
- Maryland’s share is expected to be \$194m for 2014 claims, \$117m for 2015 and \$79m for 2016.

## Federal Reinsurance Parameters

**Cap: \$250,000**

**Co-Insurance: 80%**

Reinsurance pays 80% of \$190,000, the amount below the cap and above attachment point

**Attachment \$60,000**

# Maryland Insurance Code 31-117

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- The Exchange in consultation with the Maryland Health Care Commission and with the approval of the Commissioner shall operate or oversee the operation of a transitional reinsurance program in accordance with regulations adopted by the Secretary for coverage years 2014 through 2016.
- The Exchange, in consultation with the Maryland Health Care Commission and with the approval of the Commissioner, may establish a State Reinsurance Program to take effect on or after January 1, 2014.
- With the approval of and in collaboration with the Board of the Maryland Health Insurance Plan, the Exchange may use revenue received from the Maryland Health Insurance Plan fund under 14-504(d) of this article to fund the State Reinsurance Program.

# MHIP and Reinsurance

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## **Objective of the Maryland Health Insurance Plan**

- To decrease uncompensated care costs in the State of Maryland.

## **Objective of Reinsurance**

- To alleviate the risk of extraordinarily high medical costs allowing insurers to offer lower premiums which attract more buyers thus reducing uncompensated care.

## **What is the link between uncompensated care and Reinsurance?**

- Insured Marylander's reduce the burden of uncompensated care in the State. Reinsurance allows insurers to offer lower premiums making insurance affordable for purchase.

# MHIP Projected Surplus

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	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
End Fund Balance	\$153,221,000	\$163,546,000	\$179,484,000
Reserve Requirement*	\$65,095,000	\$49,422,000	\$46,427,000
Surplus	\$88,126,000	\$114,123,000	\$133,056,000

\*MIA February 21, 2007 analysis on fund balance reserve requirement - 600% CAL RBC under a break even scenario

# Next Steps

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## **Beginning discussions on how to best utilize the funds**

- Should consider how funds impact different recipients

## **Will want to make decisions this Fall**

- In time to support carrier plan rate development for 2015

**Currently have RFP out to procure an actuary firm to model options and scenarios**