

HB 1087 - Reinsurance Association of North Dakota (RAND)

Passed last session with only one vote against.

HB 1087 seeks to reauthorize the program that has effectively reduced rates on the individual market by 20+%

Individual market is made of 40,000 North Dakotans, of those individuals 19,000 receive a subsidy to essentially cap their health insurance premiums, based on income. The other 21,000 receive no assistance and have taken the brunt of the Affordable Care Act rate increases since its inception.

RAND addresses that population and stabilizes the individual marketplace, helping to put some downward pressure on health rates across the market.

Biggest impact of this program is to farmers, ranchers and small business owners who do not have access to the large and small group markets and earn too much to receive any kind of subsidy from the federal government.

In 2020, we estimate that with RAND being in place we saved the consumers of North Dakota approximately \$43M in reduced premiums.

How this program is funded:

Approx. 50% - Federal passthrough dollars from cost savings on the individual market

Approx. 50% - Assessments on North Dakota Health Insurers (who then can take a tax credit for those assessments)

2020 Actual Costs:

Federal Funds – \$21,488,350

Assessments on Carriers - \$21,988,170 (of which \$16,976,918 in tax credits have been credited to the carriers)

Actual State Cost of the Program:

2019-21 Projections - \$31,702,006

2019-21 est. Actual Cost - \$16,976,918

Actual costs of the program came in below estimate by - \$14,725,088

Fiscal Note of HB 1087:

The current fiscal note reflects \$33,754,507 reduced revenues for the '21-'23 biennium and reduced revenues of \$48,594,447 for the '23-'25 biennium. The increase for the '23-'25 biennium is due to the state's fiscal year starting on July 1 while the plan year for a health insurance policy typically begins on January 1. This fiscal note was an overestimated, worst-case scenario prepared before 2021 plan data was available. This data is now available, and we have prepared a new fiscal note which accounts for the expected reduction in reinsurance payable in 2021. This new note shows an estimated reduction in general fund dollars of \$17,547,170 in the '21-'23 biennium and \$27,346,309 for the '23-'25 biennium, but in the end the estimates for the next biennium will be just that, an estimate. The increase for the '23-'25

biennium is due to the state's fiscal year starting on July 1 while the plan year for a health insurance policy typically begins on January 1.

For the 2021 plan year we do not anticipate the need to conduct assessments. This is a result of the 2020 plan year, and the reduced utilization we saw. Our actual numbers for 2020 are still pending, but the number of claims actually ceded to the reinsurance program were well below our projections. Based on the preliminary claims numbers we have received to date from our carriers, the 2020 federal pass through dollars we received will likely cover the entire amount due for the 2020 plan year leaving RAND with a reserve balance of approximately \$22,000,000. Given that reserve balance along with the additional federal pass through dollars we anticipate receiving in 2021, we are confident we can pause the assessments to our carriers through 2021. This would reduce our assessments for both this current biennium and the '21-'23 biennium.

In sum, this program has cost the state \$17M in reduced revenues from tax credits and saved the people of North Dakota approx. \$43M. We do not anticipate needing to assess our companies in 2021, and with the potential inclusion of private reinsurance that will be studied, we are hopeful that the cost of this program will continue well below our projections.

Continuing Appropriation:

During 2020 an oversight was discovered regarding the ability to spend said federal pass through funding. This oversight was not noted during the legislative process or by OMB. This resulted in the Department seeking approval from the Emergency Commission in order to transfer the 2020 federal pass through funding to RAND. This was approved unanimously by the Emergency Commission at its June 30, 2020 meeting. The proposed amendment seeks to make any federal funding received under our approved 1332 waiver a continuing appropriation. We are asking for this continuing appropriation for a few reasons. First, the amount of federal funding received is not static. It can and will change every year based on the number of individuals insured in the individual market. As this number changes each year, we are unable to ask for a known number and in the case of requesting less than gets awarded it would necessitate the Department having to go to the Emergency Commission potentially on a yearly basis. Second, if our request comes in higher than awarded our budget becomes inflated. These dollars are truly a pass through and can only be used to administer RAND. Any federal dollars not spent are rolled over to the next calendar year. We believe having this continuing appropriation is reasonable and will reduce the administrative burdens to both this body and the Department.

Support HB 1087 – As presented

This program is effective, it is saving our citizens \$43M while reducing state revenue by \$17M (in one year). Our carriers are not getting "rich" off this program, what this program is doing is stabilizing our marketplace and keeping carriers operating in our marketplace. We have conducted a Private Health Insurance Marketplace study and through that study we found our carriers are averaging about 2% loss year over year. We also conducted a health care cost study, as that is the true underlying issue with the rising cost of health insurance. We have a healthcare cost problem in this state, not a health insurance cost problem.

During the hearing the committee received supportive testimony from the Insurance Department, insurance carriers, The Greater North Dakota Chamber of Commerce, The Bismarck-Mandan Chamber and Economic Development Corporation, North Dakota Soybean Growers Association, and the North Dakota Corn Growers Association. There was no opposition to HB 1087.

The attachment point of \$100,000 or \$200,000 was discussed at great length in the previous session. The legislature approved this program and approved the Department implementing it at the \$100,000 attachment point. Maintaining this program is critical for our farmers, ranchers, and small business owners, and we also will be studying if it is possible to expand to our small group market to continue to find solutions for our small business owners. I strongly urge your support for HB 1087 as it came out of the policy committee with a unanimous (6-0) 'Do Pass' recommendation and would urge your support of the continuing appropriation that was supported by your policy committee.

- 1A. **State fiscal effect** : Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.

	2019-2021 Biennium		2021-2023 Biennium		2023-2025 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenue	(21,842,587)		(17,540,170)		(27,346,309)	
Expenditures		21,488,350		14,683,761		14,683,761
Appropriations				200,000		

1B.

County, city, school distric and township fiscal effect : Identify the fiscal effect on the appropriate political subdivision.

	2019-2021 Biennium	2021-2023 Biennium	2023-2025 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2A. **Bill and fiscal impact summary**: Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).

HB 1087 would allow companies to take the assessment created by the bill as a premium tax credit, but limited to the amount of premium tax due.

- 2B. **Fiscal impact sections**: Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.

The amounts assessed to insurers as a result of HB 1087 would reduce premium tax revenue in the year paid, limited by the amount of premium tax due.

3. **State fiscal effect detail**: For information shown under state fiscal effect in 1A, please:

- A. **Revenues**: Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.

The actuarial study done indicated the amounts needed to fund the invisible reinsurance pool. These amounts were allocated in accordance with the bill, in proportion to projected premiums written, and limited to estimated premium tax due.

- B. **Expenditures**: Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.

The expenditures cover the federal pass-through funding received under our approved 1332 wavier.

- C. **Appropriations**: Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.

The appropriation would come out of special funds already in possession of the reinsurance association of North Dakota.