

HB 1087 - Reinsurance Association of North Dakota (RAND)

Passed the house last session with unanimous support.

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

For 2021, we are projecting similar numbers with regards to the federal pass through dollars, and as the actual cost has been below estimates, we are currently projecting that with our current reserves in the RAND program there will be no need to assess our carriers for 2021.

Fiscal Note of HB 1087:

The 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.

It is important to note that this fiscal note reflects the projections completed by a contract actuary firm. 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 claims numbers for 2020 are still pending, but thus far the number of claims actually ceded to the reinsurance program are 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 suspend the assessments to our carriers through 2021 which would reduce the fiscal note to \$11,751,684 for the '21-'23 biennium. This would reduce our assessments for both this current biennium and the '21-'23 biennium. The fiscal note you have in front of you is a worst-case scenario.

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.

Changing the attachment point from \$100,000 - \$200,000:

This would essentially cut the effectiveness of this program in half, our 20% reduction would be cut to 10% and result in an increase in premiums for consumers on the individual market. This would again primarily impact those farmers, ranchers and small business owners who do not receive a subsidy to purchase their own health insurance.

Changing the attachment point would also significantly reduce the federal funds that would be passed through to the program, our estimation is that the change would result in \$13M less in federal funding for 2021 plan year.

Changing the attachment point would also reduce the level of assessments needed from our health insurers, our estimation is that it would reduce the assessments on our carriers by \$10M for the 2021 plan year.

We would also need to reapply to the federal government as this would be a substantive change in our program. Our waiver was approved (for 5 years) with an attachment point of \$100,000, moving to \$200,000 would require federal approval to change our program. To further this reapplication, the federal government would also require us to complete another actuarial analysis that would need to be performed by a third-party contract actuary firm. The reapplication process allows the federal government 45 days to deem an application complete and then another 180 days to review after deeming this application complete. The process in working with the federal government for the waiver approval to establish RAND for the 2020 plan year took 18 months. The process culminated with the 2019 Legislative Session.

The real reductions that have been felt by our farmers, ranchers, and small business owners along with this program costing the state approximately half of what we projected are proven successes of this program. In addition to the fact that we are currently coming out of a global pandemic and haven't seen a true look at what this program will ultimately cost in claims and in assessments along with the expected increase of the rates on the individual market we could expect from making this change, I would be adamantly opposed to moving the attachment point from \$100,000 to \$200,000.

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 nearly unanimous (13-1) and would urge your support of the continuing appropriation that was supported by your policy committee.