Date: April 11, 2013

To: All Licensed Health Insurance Issuers in the State of Connecticut

From: Virginia Lamb
General Counsel
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Re: Transitional Reinsurance Program

Section 1341of the Affordable Care Act (ACA) requires that a transitional reinsurance program be established in each State to help stabilize premiums for coverage in the individual market during the years 2014 through 2016. Under this provision, all health insurance issuers, and third-party administrators on behalf of self-insured group health plans, must make contributions to support reinsurance payments to individual market issuers that cover high-cost individuals, except for high-cost individuals in grandfathered individual market health plans. States are given the option to run their own transitional reinsurance program and Connecticut has notified CMS that it has exercised this option. Connecticut's transitional reinsurance program will be administered by the Health Reinsurance Association (HRA).

Connecticut's transitional reinsurance program will be established in compliance with the requirements of Section 1341 of the Affordable Care Act and the Standards Related to Reinsurance, Risk Corridors, and Risk Adjustment under the Affordable Care Act as set out in 45 CFR §153. Although Connecticut's transitional reinsurance program will be a state run program-not federal, the federal benefits and payment parameters for 2014 will be used by the State of Connecticut for benefit year 2014. (For 2014, reinsurance will cover 80 percent of cost of an enrollee's aggregate claims within a benefit year that exceed an attachment point of $60,000 up to a $250,000 reinsurance cap. Required carrier contribution will be the national contribution rate. Payments will be made according to the national schedule.) For all practical purposes, carriers should experience little if any difference than if the federal government were administering the reinsurance program.

The State believes it is in the best interests of the Connecticut Individual Market to maintain the flexibility to change the Reinsurance Benefit and Payment Parameters if it becomes necessary for benefit years 2015 and/or 2016. If changes are identified as being required, the State of Connecticut will post the Benefit and Payment Parameter Notice in compliance with the ACA and with CGS 1-121.

The State and the Connecticut Health Insurance Exchange chose the Health Reinsurance Association (HRA) as the nonprofit entity to enter into a contract with the Exchange to administer the transitional reinsurance program for Connecticut. Created by Section 38a 556 of the Connecticut General Statutes, HRA not only has the required expertise to perform all the requirements of the program, but has a long history of pioneering and collaboration with the State including the Nation's first Individual High Risk Pool; the State's Alternative Mechanism under HIPAA; State’s Administrator for the Federal Health Coverage Tax Credit; and subcontractor to State DSS for the federal PCIP Program.

In September 2012, HRA’s Board of Directors met and authorized HRA to enter into a contract with the Exchange for reinsurance services. Pool Administrators Inc. (PAI), HRA’s current administrator will be responsible for the day-to-day management of the transitional reinsurance program. Pool Administrators has served as the administrator for HRA for 15 plus years and is currently administering the Connecticut’s Pre-Existing Condition Insurance Plan (PCIP) under Section 1101(b) of the ACA.

Connecticut’s transitional reinsurance program has three policy goals:

First, it must offer protection to health insurance issuers against medical cost overruns for high-cost enrollees in the individual market, particularly those that are newly insured or those with previously excluded conditions, thereby allowing issuers to set lower premiums.

Second, it should require minimal administrative burden since it is a temporary program. Given the short-term nature of the program, the costs of setting up and administering this program must be commensurate with its benefits over the three-year window.

Third, it should identify any major problems, based on a timely review of claims data and be prepared to propose solutions. Such solutions may include developing a mechanism to provide additional stop loss coverage that would operate as a state program, but in cooperation/tandem with the federal program.