

**TITLE 10, INVESTMENT, CALIFORNIA CODE OF REGULATIONS
CHAPTER 5.5 MAJOR RISK MEDICAL INSURANCE BOARD
ARTICLE 6 PILOT PROGRAM PAYMENTS**

AMEND SECTION 2698.602

INITIAL STATEMENT OF REASONS

INTRODUCTION AND BACKGROUND

Insurance Code section 12700, et seq., established the Major Risk Medical Insurance Program (MRMIP) in 1991, administered by MRMIB. The program provides access to health insurance for individuals who are denied coverage or offered excessive premiums due to pre-existing medical conditions. The State subsidizes the cost of health services with an appropriation from the Proposition 99 Cigarette and Tobacco Products Surtax Fund. This is a capped appropriation and the Board frequently has been obligated to limit enrollment in the program to stay within the appropriation.

To ease the demand on the MRMIP appropriation, in September 2002 the Legislature passed, and the Governor signed, AB 1401 (Chapter 794, Statutes of 2002), which restructured MRMIP and created a four year pilot project (Guaranteed Issue Pilot Project or GIP). During the time the pilot project operated, 2003 through 2007, MRMIP subscribers remained in the program for only 36 consecutive months. (Insurance Code section 12725(f).) At the end of that period, their MRMIP eligibility terminated and they became eligible, on a “guaranteed issue” basis, for a “MRMIP look-alike” health plan sold by each health insurer and health care service plan (hereinafter “health plans”) offering coverage in the individual insurance market. As in MRMIP, MRMIB subsidized the cost of subscriber coverage in GIP but shared the losses equally with the health plans, whereas the state bore substantially all losses within MRMIP. (Health and Safety Code section 1373.62 (repealed), Insurance Code section 10127.15 (repealed).)

Once the pilot project ended, health plans participating in GIP were obligated to continue providing coverage to those subscribers who had already enrolled in GIP health plans, and MRMIB was obligated to continue sharing health plans’ costs, on the same terms as during the pilot project. (Health & Safety Code section 1373.622, Insurance Code section 10127.16.) These terms included a statutorily-defined timeline for plans’ submission of annual reconciliation reports to MRMIB to claim reimbursement for half the plans’ losses within GIP. Specifically, plans were obligated to report aggregate health care expenditures, the amount of a statutorily-authorized administrative fee, and premiums paid for each calendar year by December 31 of the following year. (Health & Safety Code section 1373.62(g,h) (repealed) as

amended by SB 1702, Chapter 683, Statutes of 2006; Insurance Code section 10127.15(g,h) (repealed) as amended by SB 1702, Chapter 683, Statutes of 2006.)¹

On October 1, 2013, the Governor signed AB 1180 (Chapter 441, Statutes of 2013) into law. AB 1180 modifies MRMIB's and health plans' GIP obligations as follows:

- Health plans are no longer obligated to provide GIP coverage on and after January 1, 2014.
- MRMIB is not obligated to reimburse health plans for health care expenses incurred on or after January 1, 2014 or for any administrative fee for months after December, 2013.
- As a condition of receiving any payment from MRMIB for GIP coverage, health plans must submit their final reports to MRMIB by the earlier of December 31, 2014 or any earlier date that was already required by Health & Safety Code section 1373.62 and Insurance Code section 10127.15.
- MRMIB is obligated to complete reconciliation within six months if it receives a complete, final reconciliation report for a reporting period.

(Health & Safety Code section 1373.622(a) and Insurance Code section 10127.16(a) as amended by AB 1180.)

At its October 16, 2013 public meeting, the Managed Risk Medical Insurance Board adopted emergency regulations to implement AB 1180. The emergency regulations took effect on December 19, 2013, and were implemented beginning January 1, 2014.

PROBLEM STATEMENT

Existing statutes state that health plans are no longer required to provide GIP coverage and MRMIB is not obligated to reimburse health plans for GIP health care expenses incurred on or after January 1, 2014. However, existing regulations provide for mandatory GIP coverage and ongoing reimbursement by MRMIB.

BENEFITS

The proposed action would benefit the health and welfare of California residents by speeding up the close-out of a government-subsidized program that is no longer necessary.

SPECIFIC PURPOSE OF EACH SECTION – GOVERNMENT CODE 11346.2(b)(1)

¹ Health & Safety Code section 1373.62 and Insurance Code section 10127.15 were, by their own terms, repealed January 1, 2008; however, key provisions remained operative because Health & Safety Code section 1373.622 and Insurance Code section 10127.16, which were not repealed, mandated continuing participation in GIP by health plans and continuing subsidies from MRMIB in accordance with the terms of the repealed sections.

Section 2698.602(b)(3): The introductory language in this paragraph states that, notwithstanding the reconciliation time line described in paragraphs (1) and (2) (addressing deadlines for health plan reconciliation reports) or in subsection (d) (describing MRMIB's deadline for reviewing health plan reconciliation reports), the rules articulated in the ensuing subparagraphs ((A) and (B)) will apply effective January 1, 2014.

Section 2698.602(b)(3)(A): This subparagraph states that MRMIB shall not provide any payment to GIP health plans for health care expenses incurred on or after January 1, 2014 and that MRMIB shall not provide an aggregate standard monthly administrative fee to GIP health plans for any month after December 2013.

Section 2698.602(b)(3)(B): This subparagraph requires health plans, as a condition of receiving payment for any reporting period (defined as a calendar year elsewhere in the regulation), to provide MRMIB with a final annual reconciliation report by the earlier of December 31, 2014 or the date the health plan would otherwise be required to report pursuant to paragraphs (1) and (2). It also requires MRMIB to complete reconciliation with a health plan with six months if the plan submits its report by the date required pursuant to this subparagraph.

NECESSITY

These emergency regulations are necessary (1) to ensure that reconciliation between MRMIB and GIP health plans complies with changes enacted by AB 1180 (Chapter 441, Statutes of 2013) and (2) to exercise MRMIB's authority to cease providing reimbursement or administrative fees to health plans for any period after December, 2013.

TECHNICAL, THEORETICAL, AND/OR EMPIRICAL STUDY, REPORTS, OR DOCUMENTS

None.

ECONOMIC IMPACT ASSESSMENT/ANALYSIS

The State may have a savings since MRMIB will not provide any reimbursement or administrative fees to health plans after December 2013. However, at this time, the amount of the savings is unknown.

MRMIB does not anticipate any impact on the (1) creation or elimination of jobs within the State of California, (2) the creation of new businesses or the elimination of existing businesses within the State of California, or (3) the expansion of businesses currently doing business within the State of California.

EVIDENCE SUPPORTING FINDING OF NO SIGNIFICANT STATEWIDE ADVERSE ECONOMIC IMPACT DIRECTLY AFFECTING BUSINESS

The proposed regulation will not have a significant adverse economic impact upon business. GIP concerns individual insurance coverage,

REASONABLE ALTERNATIVES TO THE REGULATION AND THE AGENCY'S REASON FOR REJECTING THOSE ALTERNATIVES

None.