

Health Reinsurance Association and the Connecticut Small Employer Health Reinsurance Pool

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Issue

This report discusses the Health Reinsurance Association and the Connecticut Small Employer Health Reinsurance Pool, including their governance structures and changes since enactment of the federal Affordable Care Act.

Summary

The Health Reinsurance Association (HRA) is a nonprofit entity whose members include insurers and health care centers (i.e., health maintenance organizations or HMOs) doing business in Connecticut. Created by law in 1975, HRA functioned as a direct insurer, offering health insurance plans to its members for their high-risk individuals, until January 1, 2018. Effective that date, HRA's board of directors suspended the association's operations due to the availability of health insurance plans under the federal Affordable Care Act (ACA). The board decided to maintain HRA as a legal entity to support the development or administration of future potential programs consistent with its mission, which is "promoting social welfare by ensuring the availability of individual comprehensive health care plans to residents of Connecticut who may have difficulty obtaining health insurance otherwise."

The Connecticut Small Employer Health Reinsurance Pool (CSEHRP) is a reinsurance pool through which member insurers purchase reinsurance coverage for an entire small employer group (generally 50 or fewer employees) or for certain eligible employees or dependents in a group, generally those the insurer believes are high risk (i.e., likely to have high claim costs). Established

by a 1990 law, CSEHRP remains operational today, but with a more streamlined design than its original iteration. Because of the ACA and changes in state law, the original pool ceased as of January 1, 2018. Effective that date, CSEHRP was replaced with a new reinsurance program with a similar purpose as the original, which is to reduce claim fluctuations for small employers, provide rate relief to carriers, spread risk in the Connecticut small employer insurance market, and address the need for small employers to access affordable health insurance.

Health Reinsurance Association

The legislature established the HRA in 1975 as a nonprofit entity to provide comprehensive health insurance to high-risk individuals ([CGS § 38a-556](#)). Pool Administrators, Inc. administers the HRA.

Governance Structure

HRA is governed by a nine-member board of directors representing all licensed health insurers and HMOs in Connecticut. HRA's participating companies elect the board members with weighted votes based on their Connecticut health insurance market share. Board members, who are subject to the insurance commissioner's approval, serve two-year terms but are eligible for reelection. There are periodic board meetings and an annual meeting that are open to every licensed health insurer and HMO.

Main Functions

HRA's main functions are all granted by law and are described in its Plan of Operations, which the board reviews and amends as necessary and the state insurance commissioner approves.

HRA has the general powers and authority granted under state law to insurance carriers to transact health insurance. In addition, HRA has the specific authority to, among other things, do the following:

1. administer any type of reinsurance program for or on behalf of participating members;
2. operate and administer any combination of plans, pools, reinsurance arrangements, or other mechanisms deemed appropriate to accomplish the fair and equitable operation of the association; and
3. perform other duties and responsibilities as may be required or permitted by law and approved by the insurance commissioner.

Recent Changes

In 2015, the legislature eliminated the requirement that HRA make individual and group comprehensive health care plans available to people unable to obtain insurance coverage through other means ([PA 15-247](#)). (According to [public hearing testimony](#) from the Connecticut Insurance Department, the ACA made this requirement obsolete by requiring insurers to offer plans that cover essential health benefits on a guarantee issue basis.)

HRA's board of directors placed a moratorium on new business as of June 30, 2016. Effective January 1, 2018, the board suspended the association's operations due to the availability of health insurance plans under the ACA. At the same time, the board decided to keep HRA intact as a legal entity to support the development or administration of future potential programs that remain consistent with HRA's mission.

In 2020, HRA used its statutory authority to establish and implement a Temporary Reinsurance Program in response to the COVID-19 pandemic. At Governor Lamont's request, HRA was used as a reinsurance mechanism to support a special enrollment period offered by Access Health CT (Connecticut's ACA insurance marketplace) to uninsured state residents. Ultimately 2,209 previously uninsured residents obtained insurance through December 31, 2020, according to Pool Administrators, Inc.

Connecticut Small Employer Health Reinsurance Pool

The legislature established the non-profit CSEHRP in 1990 to offer reinsurance coverage to insurers who wish to relinquish liability for a small employer's high-risk employees or dependents over a certain claim threshold. By law, all insurers issuing health insurance and insurance arrangements providing health plan benefits, including HMOs, are pool members ([CGS § 38a-569](#)). Pool Administrators, Inc. administers CSEHRP.

Governance Structure

CSEHRP is governed by a board of directors. Its participating insurers elect up to nine board members with weighted votes based on their Connecticut small employer health insurance market share. Board members, who are subject to the insurance commissioner's approval, serve two-year terms but are eligible for reelection. There are periodic board meetings and an annual meeting that are open to every licensed small employer health insurer.

By law, the board must consist of at least five and not more than nine representatives of its members, and no more than two directors may represent any one insurer or insurance

arrangement. To the extent possible, the one-third of the board of directors must represent domestic insurance companies, two-thirds must represent small employer carriers, and at least one director must represent an HMO. The insurance commissioner is an ex-officio, nonvoting board member.

Main Functions

CSEHRP's main functions are all granted by law and are described in its Plan of Operations, which the board reviews and amends as necessary and the state insurance commissioner approves.

CSEHRP has the general powers and authority granted under state law to insurance carriers to transact health insurance. In addition, it has the specific authority to, among other things, do the following:

1. define the health coverage products for which reinsurance will be provided and issue reinsurance policies in accordance with state law;
2. establish the reinsurance program's benefit parameters;
3. develop appropriate rates and rate schedules, adjustments, and classifications; and
4. assess members as reasonable and necessary for operating expenses.

Recent Changes

[PA 15-247](#) eliminated the requirement that CSEHRP make special health care plans available to previously uninsured small employers. Prior law required the CSEHRP board of directors to develop these plans as a lower-cost health insurance coverage option for uninsured small employers.

Effective January 1, 2018, the board of directors replaced the original CSEHRP administrative structure with a new, simpler structure. Eligibility features, benefits, and reporting requirements were revised along the lines of the ACA's Transitional Reinsurance Program, but for the small employer market in Connecticut. According to the pool administrator, "the new CSEHRP has been very well received and has accomplished the goals of a more cost effective and less administratively burdensome reinsurance mechanism for Connecticut small employer carriers."

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