

## Individual Market Stability Model Law

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### **Section 1. Title**

This act shall be known and may be cited as the Individual Market Stability Act.

### **Section 2. Purpose**

The purpose and intent of this act are to

- a) Increase the stability of the individual health insurance market
- b) Reduce premiums paid by consumers
- c) Promote increased competition and offerings of individual market insurance products by insurers
- d) Promote individual responsibility by encouraging the purchase of health insurance by all qualified individuals

### **Section 3. Definitions**

Qualified insurance carrier --- any insurer licensed in this state that sells to individuals and families  
Qualified Health Plans as defined by Knox-Keene (?)

Qualified resident -- any individual who is eligible to receive premium tax credits from the ACA and who has established permanent residence in the state of California

Individual market stability Fund -- A revolving trust fund that receives collects Individual Responsibility Tax payments, issues Individual responsibility Tax credits and administers the individual market stability funds.

### **Section 4. Applicability and Scope**

### **Section 5. Individual Responsibility Tax**

- a. An individual responsibility tax shall be administered
- b. This tax shall be equal to the greater of \$20 per month per qualified adult resident or 1% of annual income.
- c. The tax shall be collected annually
- d. Failure to pay shall not result in liens, lawsuits, arrests or imprisonment. Tax refunds may be dunned.
- e. All funds collected by this tax shall be deposited into the Individual Market Stability Fund.

### **Section 6. Individual Responsibility Tax Credit**

- a. All qualified adult residents shall receive a tax credit equal to \$20 per month of qualified coverage or 1/12 of 1% of annual income per month of qualified coverage
- b. Qualified coverage shall be defined as in ACA ZZZZ
- c. All insurers that offer qualified coverage shall provide all covered individuals with a letter stating which months the individual had qualified coverage in the preceding tax year by February 15 of the following calendar year.

### **Section 7. Individual Market Stability Fund**

- a. The Treasury Department shall establish a revolving trust fund
- b. Necessary appropriations shall be made
- c. Initial appropriation of XXX million dollars
- d. Initial appropriation to be paid back to general fund over 10 years at the interest rate of the 10 year Treasury bill on the date of enactment
- e. Individual market stability fund shall receive all funds collected from Section 5
- f. Individual market stability fund shall disburse all funds required from Section 6
- g. Surplus funds E-F are to be retained and prudently invested in short term securities

### **Section 8. Reinsurance funds**

- a. Surplus funds from 7G are to be allocated to re-insuring qualified individual market insurance carriers

### **Section 9. Individual market stabilization fund operations**

- b. Secretary of HHS shall determine at least 180 days before the policy year an estimated surplus fund available for reinsurance.
- c. The estimate shall be updated 90 days before the policy year begins and quarterly during the policy year.
- d. Surplus funds are to be used for catastrophic high cost claims
  - i. D1. The secretary shall determine a set of diagnostic conditions that are eligible for reinsurance
  - ii. D2. The secretary shall determine the threshold and co-insurance levels of reinsurance without regard to diagnosis.

- a. These two options allow for a chronic condition only funding stream (D1) or a super high cost claim funding stream that takes some insurance/projection risk off of insurers. State choice
- e. Insurers shall submit relevant encounter data for all qualified claims within 180 days of adjudication
- f. The secretary may distribute interim estimated re-insurance sums at the Secretary's discretion. Reconciliation shall occur if this is done.
- g. Fund rollover --- if at the end of a policy year there is a surplus of funds available for reinsurance, the first 25% of the surplus shall be saved for future use. The remaining increment shall be evenly split between future use and increased retroactive reinsurance.
- h. Fund deficiencies -- if at the end of a policy year, there is a deficiency in funds to pay estimated reinsurance, all reinsurance payments shall be reduced on a pro rata basis until the funds are sufficient.
- i. The Secretary is authorized at their discretion to enter into commercial re-insurance contracts

#### **Section 10. Filing requirements and auditing**

These are important

- a. The Auditor may inspect, audit and evaluate the reinsurance program
- b. Annual report
- c. Open records laws

#### **Section 11. Recapture of expended funds**

- d. Any funds that were disbursed based on incomplete claims data is subject to reconciliation within 3 years after the last claim has finalized adjudication.
- e. Civil and criminal fraud statutes apply

#### **Section 12. Separability**

#### **Section 13. Effective date**

- A) This law is in effect on on January 1, 20xx.