

OFFICE OF THE GOVERNOR
BUDGET AND PROGRAM PLANNING
STATE OF MONTANA

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To: Amy Carlson, Legislative Fiscal Analyst
Legislative Fiscal Division

From: Ryan Osmundson, Budget Director
Office of Budget and Program Planning

Date: December 12, 2023

Subject: LFC Review and Comment on a Fiscal Year Transfer Supplemental Appropriation
For State Auditor's Office Reinsurance Claims Payments

In accordance with Title 17, Chapter 7, part 3, MCA, the Governor's Office of Budget and Program Planning is submitting for review and comment a proposed supplemental appropriation to transfer fiscal year 2025 authority to fiscal year 2024.

This transfer will be in the amount of \$2.43 million. The shortfall is caused by reinsurance claims projections being lower than actual claims submitted for the fiscal year 2024 reimbursement cycle. The State Auditor's Office will take steps to mitigate this shortfall for next year's claims reimbursements. Attached is a proposed mitigation plan for the 2025 biennium.

cc: Amber Thorvilson



COMMISSIONER OF SECURITIES AND INSURANCE

Troy Downing
Commissioner

Office of the
Montana State Auditor

December 11, 2023

TO: Ryan Osmundson, Budget Director

FROM: Amber Thorvilson

RE: 2025 Biennium Mitigation Plan

This Memorandum provides a plan to mitigate a financial shortfall faced by the State Auditor's Office, Commissioner of Securities and Insurance (SAO) for FY 2025 to FY 2024. The budget need arose because the FY 2024 appropriation for the reinsurance program did not consider \$8 million in carry-forward funding from fiscal years 2021 and 2022.

The purpose of the Montana Reinsurance Program is to stabilize the individual health insurance market by partially reimbursing qualified insurers for high costs claims, thereby maintaining competition and reducing premiums. The reinsurance program reimburses health insurance exchange insurers for certain high-cost claims in the individual market by using a mix of federal pass-pass through funding and state special revenue funds from association member assessments.

The reinsurance program had a higher number and level of claims that qualified for reimbursement for plan year 2022 than it had in plan years 2020 or 2021. Due to the lower qualifying claims reimbursement in prior years, the program has the federal and state funding to pay the higher claims reimbursement for 2022. However, the state special revenue fund appropriation 135H4 is not sufficient to pay the qualifying claims.

To get FY 2024 to zero, SAO requests that a fiscal transfer of up to \$2.43 million from FY 25 be approved.

During FY 2025 the following mitigation actions would address the shortfall:

1. The SAO will continue to reduce contracting costs where practical and will maintain an increased effort to scrutinize all expenditures. Carryforward funding and excess vacancy savings will also be used where able.

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2. The Montana Reinsurance Association has set the Reinsurance Cap for claims reimbursement for Plan Year 2023 at a lower level, which is expected to result in a lower level of reimbursement in FY 2025.
3. The last action that may be necessary is if appropriation levels are insufficient to pay all program expenses, claims reimbursement and other disbursements allocable to that benefit year would be reduced proportionately to the extent necessary to maintain appropriation levels. Agency management is working on the details of this plan that would provide the least amount of disruption to the eligible insurers of the reinsurance program. However, this could put the State in a vulnerable legal position due to possible non-compliance with the Montana Reinsurance Act and federal grant conditions.

Please contact me if you have any questions or need clarification. Thank you.