

# Healthy Wisconsin

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## Proposal #3: Statewide Catastrophic Reinsurance Pool

November 9, 2006



# Proposal Elements

## Primary Coverage

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- Coverage would be offered through existing insurance market
- Existing insurance standards and regulations would be used

# Proposal Elements

## Reinsurance Coverage

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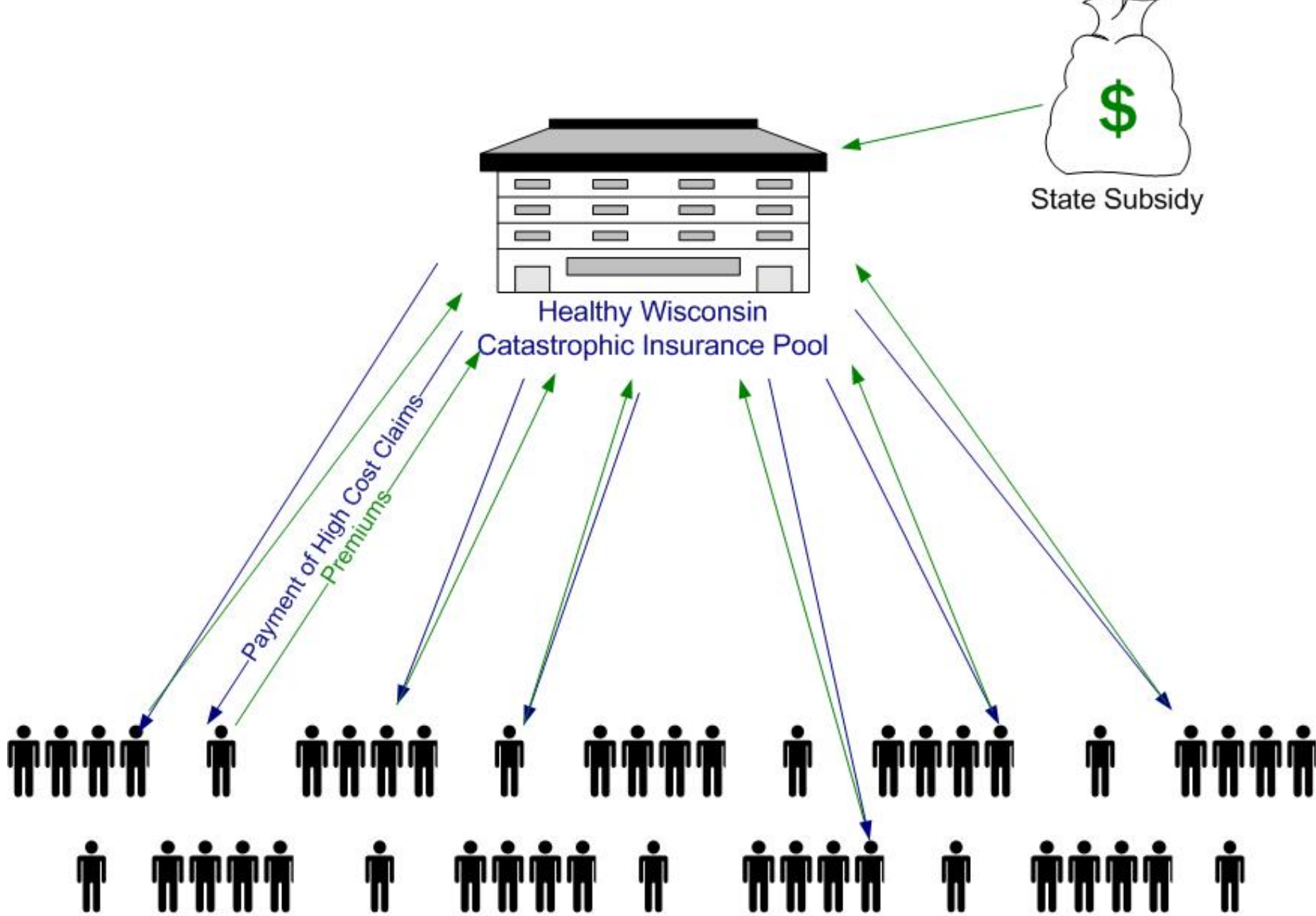
- ❑ Create a statewide catastrophic reinsurance program.
- ❑ The reinsurance program would pay a portion of catastrophic claims above a specific attachment point or within a specific corridor.
- ❑ Individuals would be required to pay premiums to the reinsurance program.
- ❑ The state would subsidize the program (amount of subsidy and funding source TBD).

# Proposal Elements

## Administration

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- The program would be administered by a quasi-government entity (similar to HIRSP Authority)
- The organization will be governed by a balanced board. Major decisions would require a super-majority.
- Over time, funds in program may grow and be invested. As the fund grows, efforts can be explored to either reduce program premiums or to lower the attachment point to increase the effectiveness of the program.



State Subsidy

Healthy Wisconsin  
Catastrophic Insurance Pool

Payment of High Cost Claims

Premiums

Wisconsin

# Strengths

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- ❑ Directly lowers premiums due to creation of a statewide, mandatory catastrophic reinsurance pool that is subsidized.
- ❑ It will provide coverage to those that experience catastrophic incidents and decreases the amount that insurance companies must charge for unknown risk.
- ❑ Could help stabilize the insurance market.



## Strengths (cont.)

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- Program is relatively easy to administer.
- Businesses and insurers would not be required to modify their behavior. They would continue to purchase and sell health insurance as they do now.
- A balanced board would ensure that decisions are made based on mutual best interest.

# Weaknesses

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- The source of the subsidy would need to be identified. Funding within the state budget may be hard to identify so other sources may be explored. For example, other states have used tobacco funds or assessments on providers or insurers.
- Program doesn't directly address the uninsured problem.
- Large insurers and some large employers already acquire or self-fund reinsurance.

# Weaknesses (cont.)

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- Insurers would need to be assured that they would not be worse off.
- The size of the benefit would depend on the level of program premiums and the amount of the subsidy. Limited premium decrease and/or no subsidy would lead to a minimal impact for some groups.