



John W. Hickenlooper
Governor

Barbara J. Kelley
Executive Director

MEMORANDUM

To: Interested Stakeholders
From: Colorado Division of Insurance
Date: September 7, 2012
Re: Reinsurance Implementation

After reviewing current legislative authority, staff resources and upcoming federal deadlines, the Colorado Division of Insurance has decided to defer the administration of the reinsurance program to the federal government.

Following is a list of questions that states need to answer in order to decide whether they will have a state-based reinsurance process or use the federal process. The Division's decision to defer to the federal system is based on these answers.

1. Does the DOI have the legal authority to implement the program?

No, Colorado does not have the authority to administer the reinsurance programs for carriers. The Affordable Care Act does not confer authority to states for these functions. State legislation would be necessary. The Division is not interested in pursuing this legislative change due to other public policy priorities and limited resources.

2. Will Colorado administer the reinsurance programs?

No, this is a temporary program and deferring to the federal process is the most efficient and cost-effective choice for administering this program.

3. Does the DOI have the resources necessary to run the program? If not, can funding and staff be found and sustained within short timeframes?

Resources are not currently available. In addition, the Division often struggles to hire qualified candidates for these types of technical positions. The state hiring

system can sometimes take months to navigate and qualified candidates who can develop and execute the system within the deadlines may not be found.

4. Does a state model provide more flexibility?

Perhaps, but the short-term nature of the program does not justify the resources it would take to establish the program.

5. Can the tight deadlines be met? Are they complicated by the legislative session?

Legislation would be required and the deadlines cannot be met.

6. Will a state program provide better or worse coordination with other reinsurance programs?

Not clear at this time.

7. Which model would be most effective in mitigating the adverse selection? Which is easiest for carriers?

No significant difference.