

State-Based Reinsurance

Overview & Considerations

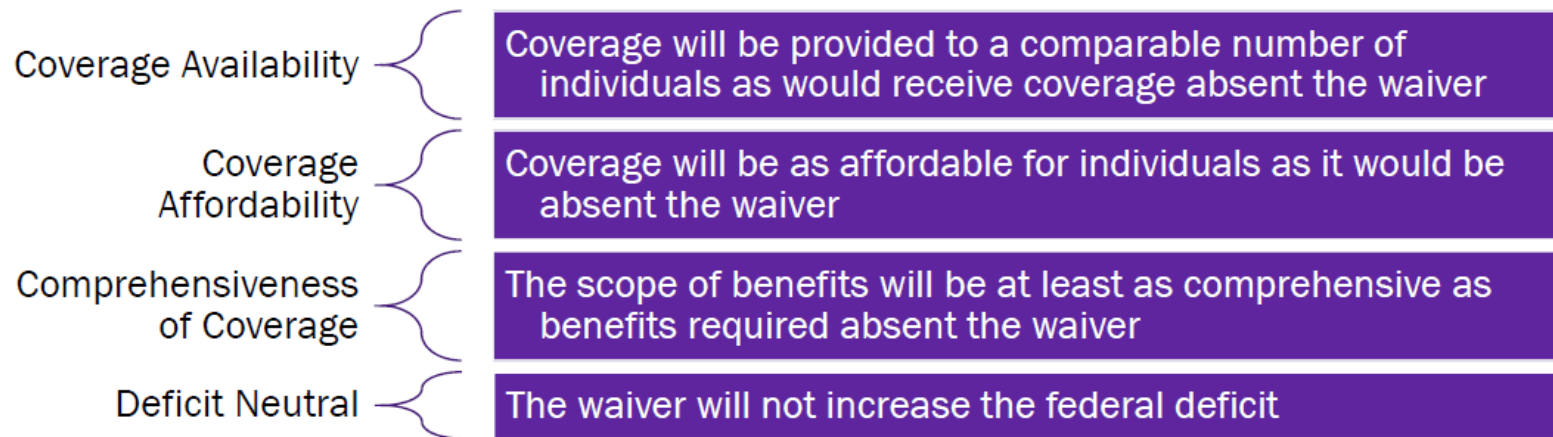
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- **1332 Waivers**
- **What is reinsurance**
- **What is state-based reinsurance**
- **What have other states done**
- **Vermont Considerations**

1332 Waivers

Renamed “State Relief and Empowerment Waivers”

- Sec. 1332 of the Affordable Care Act permits a state to apply for a State Innovation Waiver (aka “1332 Waiver”) from the U.S. Dept of Health & Human Services (HHS) and the Department of Treasury, to pursue innovative strategies to provide access to high quality, affordable health insurance while retaining basic protections under the ACA.
- Must satisfy the following “guardrails”:



- Approved for 5-year periods with options for renewal.
- Feds released new guidance in October 2018

What is Reinsurance?

- “An insurance for insurers.”
- A mechanism insurers use to lower their exposure to very high, unpredictable expenses.
- Kicks in to cover some of the cost – that the insurance company would otherwise have to pay – once the total claim reaches a certain amount, or when enrollees have certain high-cost medical conditions.
- The ACA included a temporary national reinsurance program for the individual market, but only lasted through 2016.
 - Financed through fees on individual and employer plans

What is Reinsurance?

There are a number of program design options. The following two options have been chosen by the states so far:

Claims-based reinsurance

- Covers insurers for a portion of all high-cost claims within a specified dollar amount.
 - For instance a reinsurance plan might cover 80% (coinsurance) of an individual's annual costs between \$50,000 (attachment point) and \$250,000 (cap).
 - Most states that are doing state-based reinsurance programs have used this model

Conditions-based reinsurance

- Covers 100% of the claims for individuals with an identified high-cost medical condition.

STATE-BASED Reinsurance

How it works conceptually:

- The reinsurance program mitigates premium increases by a certain amount.
- As a result the federal premium subsidies are also reduced.
- Through the 1332 waiver, the state gets to keep these “pass through” savings to help fund the reinsurance program.
- To date, no state has been allowed to fund a state-based reinsurance program through federal pass-through dollars alone.
 - State have also been expected to contribute additional state dollars.

STATE-BASED Reinsurance

Why many states have considered this:

- States were/are looking to stabilize their individual markets
- Many states were/are seeing large double-digit increases
- Carriers were/are threatening to leave markets that already had limited numbers of carriers in the individual market.

1332 STATE INNOVATION WAIVER DEVELOPMENT FOR STATE-BASED REINSURANCE

Updated 9/18/18

7 STATES

have **received CMS approval** of their 1332 reinsurance waiver proposals: AK, ME, MD, MN, NJ, OR and WI.

NO STATES

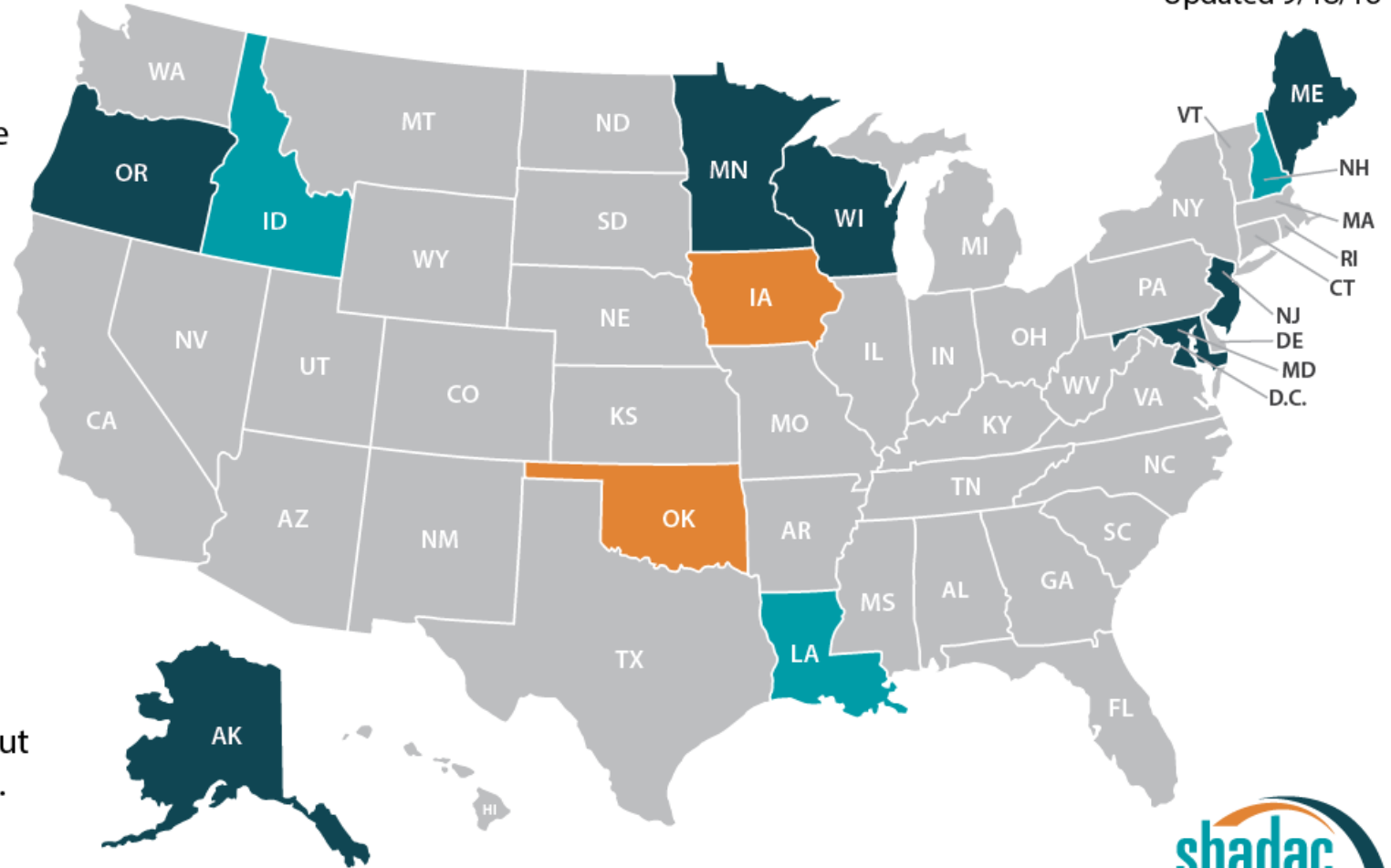
have 1332 reinsurance waiver applications **awaiting review**.

2 STATES

submitted 1332 reinsurance waiver applications that were later **withdrawn**: IA and OK.

3 STATES

released draft 1332 reinsurance waiver applications but have not yet formally submitted to CMS: ID, LA and NH.



Summary of State-Operated Individual Market Reinsurance Programs

State	Reinsurance Benefit	Est. Premium Impact	Estimated Cost	Revenue Source	Date Submitted	1332 Waiver Status
Alaska	Coverage for claims of one or more of 33 identified high-cost health conditions (condition-based program)	20%	2017: \$55M state / \$50.5M federal / \$25M from Premara.	2.7% premium tax and federal pass-through dollars.	12/29/2016	Approved 7/7/2017
Minnesota	Coinsurance rate of 80%, attachment point of \$50,000, and a \$250,000 cap.	20%	\$271 million (\$132M state / \$139M federal)	General Fund, 1% premium tax, and federal pass-through dollars	5/5/2017	Approved 9/22/2017
Oregon	Coverage for 50% of claims costs between an attachment point (yet to be determined) and a \$1 million cap.	7%	\$120 million (\$90M state / \$35M federal)	1.5% premium tax and federal pass-through dollars.	8/31/2017	Approved 10/18/2017
Wisconsin	Coinsurance rate between 50-80%, \$50,000 attachment point, and a \$250,000 cap.	10%	\$200 million (\$30M state / \$170M federal)	General fund and federal pass-through dollars	4/19/2018	Approved 7/29/2018
Maine	Plan will reimburse for 90% of claims paid between \$47,000 and \$77,000 and 100% of claims in excess of \$77,000 for high-risk enrollees diagnosed with certain health conditions.	9%	\$93 million (\$60M state / \$33M federal)	Five-part funding mechanism including three types of assessments, reinsurance premium, and federal pass-through dollars.	5/9/2018	Approved 7/30/2018
New Jersey	Plan will reimburse 60% of claims between \$40,000 and \$215,000	15%	\$323.7 million (\$105.8M state / \$218M federal)	Individual mandate tax, state general funds, and federal pass-through dollars.	7/2/2018	Approved 8/16/2018
Maryland	80% coinsurance rate with an attachment point (yet to be determined) and a \$250,000 cap.	30%	\$365M state / \$280M federal	2.75% assessment on certain health insurance plans and federal pass-through dollars.	5/31/2018	Approved 8/22/2018

VERMONT CONSIDERATIONS & DECISION POINTS

- How many people would this impact?
- What impact would it have on premiums?
- How much federal pass through dollars would we expect?
- How much state dollars will be contributed?
- How would the state pay for it?
- What type of reinsurance program: claims-based or condition-based?
- Application issues:
 - Timing
 - Needed resources and actuarial services