

✦ Introduction

✦ 1332 Waiver Presentation

✦ Public Testimony Period

✦ Note: Please sign-in and indicate if you wish to provide public testimony.

- ✦ This forum is required pursuant to 31 CFR §33.120(c) and 45 CFR §155.1320(c)
- ✦ MHBE will host this forum annually
- ✦ The purpose is to provide the public an opportunity to give meaningful comment on the progress of the waiver thus far

1332 Public Forum: Maryland State Reinsurance Program

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May 2, 2019



Presentation Overview

- ✦ **Need for Action**
- ✦ **Broad Policy Approach**
- ✦ **Decision Point: Program Impact**
- ✦ **Decision Point: Funding Source Opportunity**
- ✦ **Policy Overview**
- ✦ **Public Engagement**
- ✦ **Program Results**
- ✦ **Looking Ahead**

Need for Action

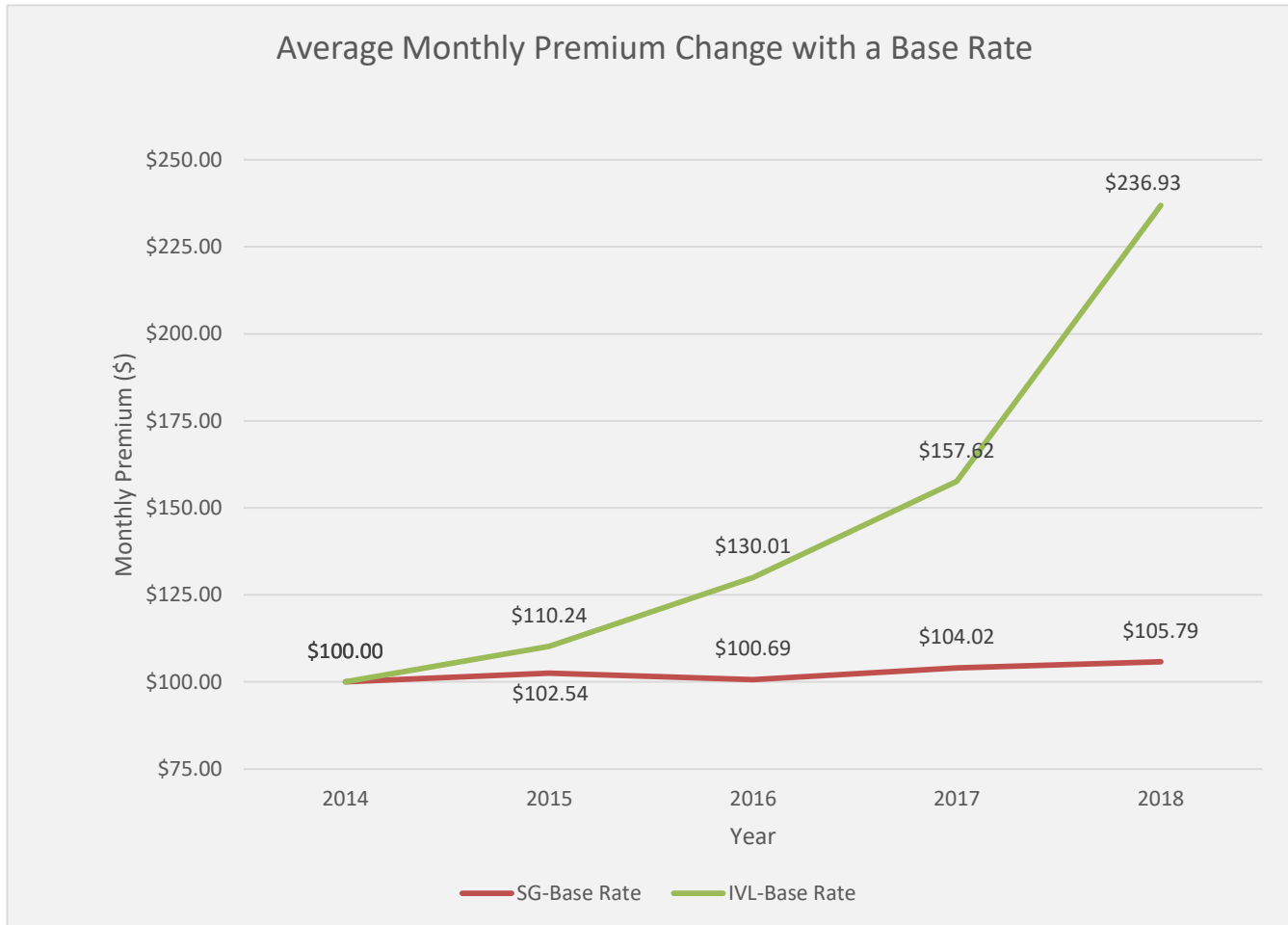
Table 1. Maryland Health Connection Marketplace Metrics 2014 – Present.

Benefit Year	Participating carriers (#)	QHPs Offered (#)	Enrollment	Subsidized/ Unsubsidized (%)	Premium Change (%)	Rate Justification
2014	4	45	81,553	80/20	-	-
2015	5	53	131,974	70/30	10.24%	Sicker/Older Pool MHIP Migration Increased unit cost of care Increased utilization Health Insurer Fee
2016	5	53	162,652	70/30	17.93%	Actual claims experience higher than 2015 rates Pent-up demand in formerly uninsured entrants Risk Adjustment payments Increased cost and utilization trends Reduction in reinsurance payments
2017	3	23	157,637	78/22	21.24%	Increased unit cost of care, claims, morbidity of pool Cessation of the reinsurance program
2018	2	21	153,571	79/21	50.32%	New members entering risk pool Current members terminating coverage Increased churn and trend Loss of CSR Individual mandate enforcement not included in rate

Sources: MHBE Annual Reports, MHBE Plan Management, MIA Rate Decisions, Carrier Rate Justifications.

Need for Action

Average (%) Premium Increases Individual & Small Group Using a Base Rate



Broad Policy Approach

2018 Legislative Session: HB – 1795 & SB 387

- ✦ **LEGISLATION:** Two bills from the 2018 Maryland Legislative Session impact the State Reinsurance Program House Bill 1795 – Establishment of a Reinsurance Program & Senate Bill 387 Maryland Health Care Access Act of 2018.
- ✦ **POLICY:** HB 1795, establishes a claims-based State Reinsurance Program to offset the impact of high cost enrollees in the individual marketplace. MHBE is required to apply for a State Innovation Waiver under section 1332 of the Affordable Care Act to receive federal funds to help defray the cost of the program.
- ✦ **FUNDING SOURCE:** SB 387 places a 2.75% assessment on carriers to recoup the aggregate amount of the health insurance provider fee that was previously assessed under Section 9010 of the ACA. The Tax Cuts and Jobs Act of 2017 waived this fee for 2018. This funding source provides an estimated \$365 million (MIA/OCA) for the State Reinsurance Program.

Decision Point: Program Impact

Allocation of program funds

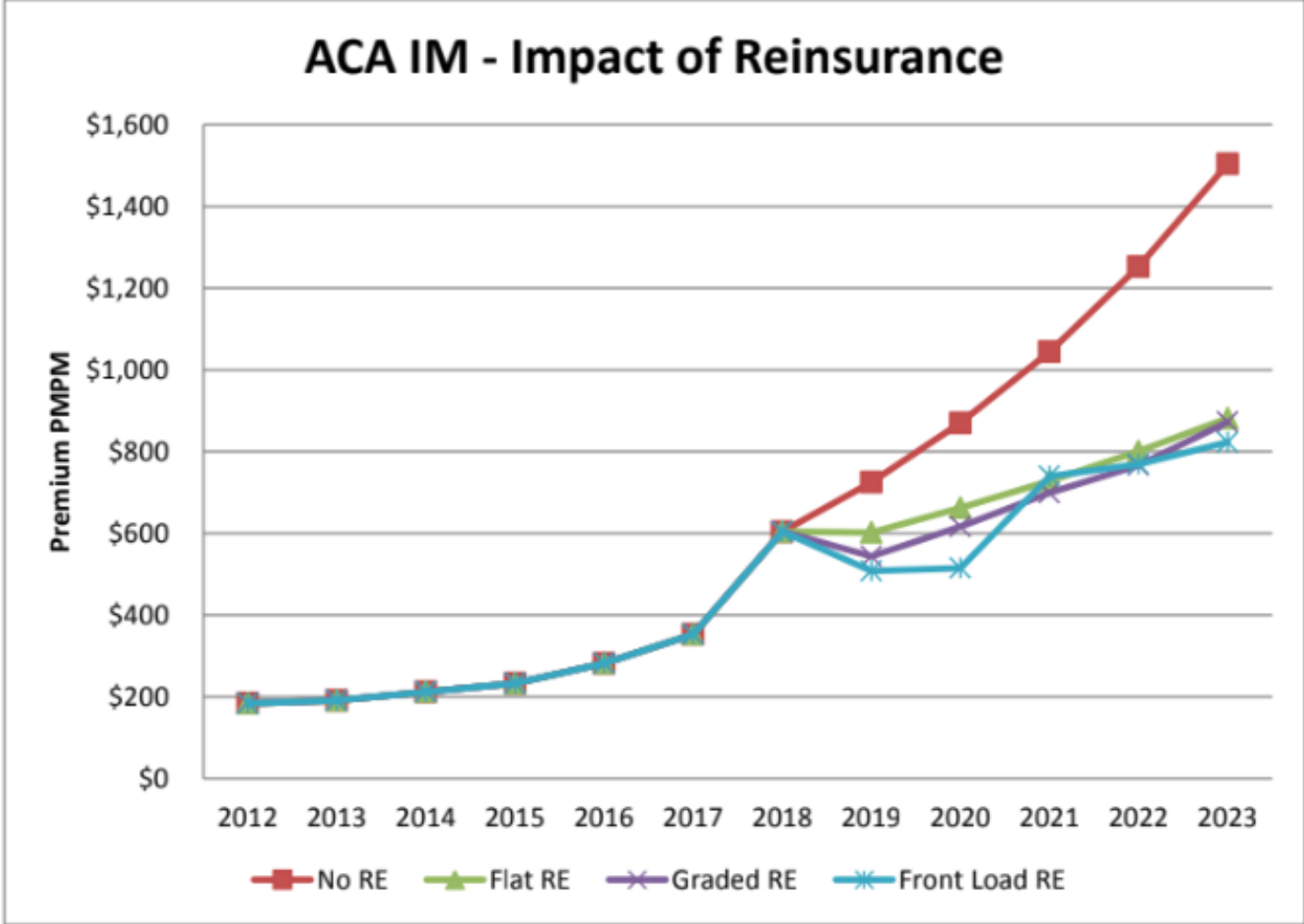
- ✘ **PURPOSE:** The State Reinsurance Program was envisioned as a bridge program to:
 - Support market stability in the short-term
 - Provide the legislature with time to develop a long-term solution

- ✘ **LIMITATION:** State-based HI Assessment for the SRP would only be collected once (FY 2019).

- ✘ **DECISION POINT:** Funding allocation (and thereby federal pass-through dollars) over the five-year waiver resulted in different market impacts.
 - Options: front loading, graded, or flat funding allocation

Decision Point: Program Impact

Reinsurance Impact Models



Decision Point: Funding Source Opportunity

State-based Health Insurance Premium Assessment

- ✘ The 2.75% premium assessment is broad-based and is applicable to all premiums that would have been subject to the federal assessment under Section 9010 of the ACA and where the state has the statutory authority to do so.
- ✘ **EXTERNALITY:** The assessment will impact carriers differentially depending on their treatment under the federal assessment.
- ✘ **EXTERNALITY:** The broad-based nature of the assessment allows the state to assess Medicaid Managed Care Organizations under taxation rules, and increase federal contribution to the SRP.

Decision Point: Funding Source Opportunity

Table 2. Estimated Maryland/Federal Funding¹

Waiver Year	SRP Amount	Estimated Federal Funding	% Federal	Estimated State Funding	% State
2019	\$462,000,000	\$303,561,633	65.70%	\$158,466,000	34.30%
2020	\$451,000,000	\$315,700,000	70.80%	\$135,300,000	29.20%
2021	\$287,000,000	\$212,380,000	74.00%	\$74,620,000	26.00%
<i>Total</i>	\$1,200,000,000	\$901,614,000	69.30%	\$368,386,000	30.70%
		<i>Medicaid MCO Revenues: \$168,400,000</i>			
		<i>Federal Share (62%): \$104,408,000</i>			
<i>Adjusted Total</i>	\$1,200,000,000	\$936,022,000	78.00%	\$263,978,000	22.00%

¹SOURCE: Wakely Consulting Group. (April 2019)

Table 3. Actual Maryland/Federal Funding¹

Waiver Year	SRP Amount	Estimated Federal Funding	% Federal	Estimated State Funding	% State
2019	\$539,950,188	\$373,395,635	69.20%	\$166,554,553	30.80%

¹SOURCE: Maryland Insurance Administration. (April 2019)

Establish the State Reinsurance Program through a 1332 Waiver

- ✘ **Waived Provision:** Maryland waived Section 1312(c)(1) of the Affordable Care Act – determination of the market index rate. This allows Maryland carriers to include expected State Reinsurance Program payments when determining their market index rate.
- ✘ **Affordability:** Federal pass-through funding, through net premium tax credits savings, will fund a reinsurance program that targets a 30% premium reduction offset for 2019 and 2020. Total program costs for 2019 are approximately \$462 million.
- ✘ **Coverage:** Maryland estimated that the premium impact will result in a 5.8% increase in individual market enrollment in 2019.
- ✘ **Federal Deficit:** The decreased premiums will decrease federal spending on tax credits. Actuarial analysis estimates that federal savings will be \$280 million, \$293 million, and \$32 million in 2019, 2020, and 2021, respectively.
- ✘ **Implementation:** Maryland requested that the Departments assist the state in implementation of the waiver through modification through the EDGE server infrastructure

State Application Drafting & Public Comment Period

- ✘ **April 20**, the Maryland Health Benefit Exchange (MHBE) released a draft application for a State Innovation Waiver, starting the 30-day state public comment period.
- ✘ **April 26 – May 10**, MHBE held four public hearings across Maryland to present the application to the public.
- ✘ **May 31**, the Maryland Health Benefit Exchange (MHBE) submitted a final application to the U.S. Departments of Health and Human Services and the Treasury.
- ✘ **July 5**, MHBE receives notice from waiver application reviewers that the waiver was deemed complete, starting the 30-day federal public comment period.
- ✘ **August 22**, MHBE receives notice that the State Innovation Waiver to Establish a State Reinsurance Program has been approved.
- ✘ **August 24**, MHBE Board of Trustees resolves to account for program interaction between Federal Risk Adjustment and the SRP through equalizing profitability between sick and health members.

State Application Drafting & Public Comment Period

✦ **Coordination with the Federal Risk Adjustment Program**

- Many stakeholders have expressed concern over potential carrier payments under the SRP and the federal Risk Adjustment program that would be duplicative of the same risk.
- Both carriers request that Wakely conduct a study to determine the degree of overlap between the two programs, if any.

✦ **Establishing a State Reinsurance Program That Will Attract New Entrants**

- Many stakeholders expressed that the SRP could be leveraged to create a market environment that is favorable for new entrants. They caution, however, that the program should not be constructed in a manner that would support certain care delivery models over others.

✦ **Incentives for Utilization/Care Management and Quality Improvement**

- Stakeholders expressed that the SRP should be explored as a tool to increase quality and reward effective utilization/care management.
- Respondents suggest that the SRP could be used to further the goals of other state initiatives, such as the All-Payer Model and the Medicare Waiver.

Program Results

Table 4. Rate Impact of the SRP by carrier.

Carrier (Network)	Enrollment ² (on/off MHC)	2019 Rates (w/o Reinsurance)	2019 Rates (w/ Reinsurance)
CareFirst (HMO)	109,368	18.5%	-17%
CareFirst (PPO)	13,074	91.4%	-11.1%
Kaiser Permanente (HMO)	69,837	37.4%	-7.4%
Total	192,279	30.2%	-13.2%

¹As of October 1, 2018, 18,009 enrollees do not receive APTC on Maryland Health Connection.

²Enrollment as of June 30, 2018.

Program Results

Table 5. 2019 Enrollment.

Scenario	Subsidized Enrollment	Unsubsidized Enrollment	Total Enrollment
Estimate w/o Reinsurance	103,620	67,906	171,526
Estimate with Reinsurance	103,620	77,902	181,522
Actual 2019 Enrollment	124,541	87,608	212,149
(%) Difference w/o Reinsurance	20%	29%	24%

Factors influencing permanent market stability

✘ **372,785 (6%) Marylanders remain uninsured**

- ❑ Policy formulation to achieve universal coverage is underway through the Health Insurance Coverage Protection Commission
- ❑ Maryland Easy Enrollment Health Program (2019 Legislative Session) seeks to utilize the income tax system to find the uninsured and enroll them into coverage. MHBE is one of two independent implementing agencies, i.e. the Comptroller.

✘ **Permanent funding for the State Reinsurance Program**

- ❑ The 2019 Legislative Session the General Assembly passed HB 258/SB 239 that would fully fund the SRP through 2023.

✘ **Address high deductibles and out-of-pocket costs**

- ❑ From 2018-2019 deductibles increased by \$1350 for some consumers & some popular health plans are paying for fewer cents on the dollar than in previous years.
- ❑ MHBE is convening Affordability & State Benchmark Work Groups to determine solutions to address high deductibles/out-of-pocket costs and health system cost drivers.

✘ **State health policy alignment to improve population health & reduce chronic disease burden**

- ❑ Agency regulatory alignment to promote the population health goals of the Total Cost of Care Waiver.
- ❑ MHBE operates as a convener to foster such alignment.

✘ **Future 1332 waivers to address specific systemic issues**

Questions?

For more information contact John-Pierre Cardenas, jcardenas@maryland.gov

Public testimony period will now begin

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