

2019 Reinsurance Results and 2021 Reinsurance Parameters

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2019 Reinsurance Results – Program Cost

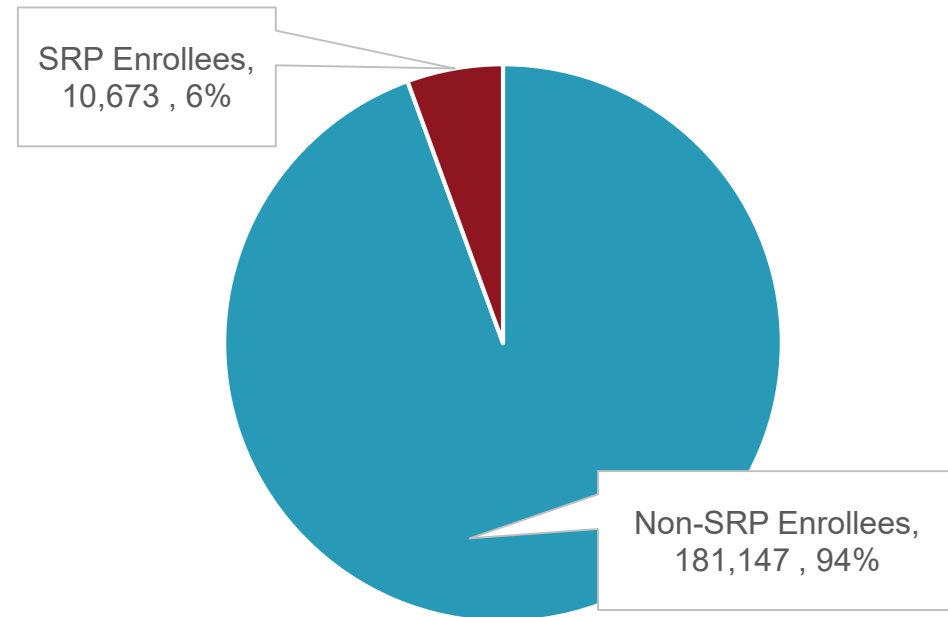
- The total cost of the 2019 reinsurance program was about \$353M, about \$17M below projections
- The federal pass-through funding received for 2019 will be sufficient to cover the full cost of the program for that year
- Per the terms of the waiver, any unspent federal funding must be rolled forward to be used for the reinsurance program in future years

	Spring 2018 Projection (Wakely)	Fall 2019 Projection (L&E)	2019 Actuals
Total Cost	\$462M	\$370M	\$353M
Federal Funding	\$304M	\$373M	\$373M

2019 Reinsurance Results – Enrollment

- In 2019, total enrollment in the individual market, on and off exchange, was about 2.3M member-months, or about 192,000 individuals
- About 6% of enrollees had total annual claims that met the parameters for reimbursement under the state reinsurance program (SRP)

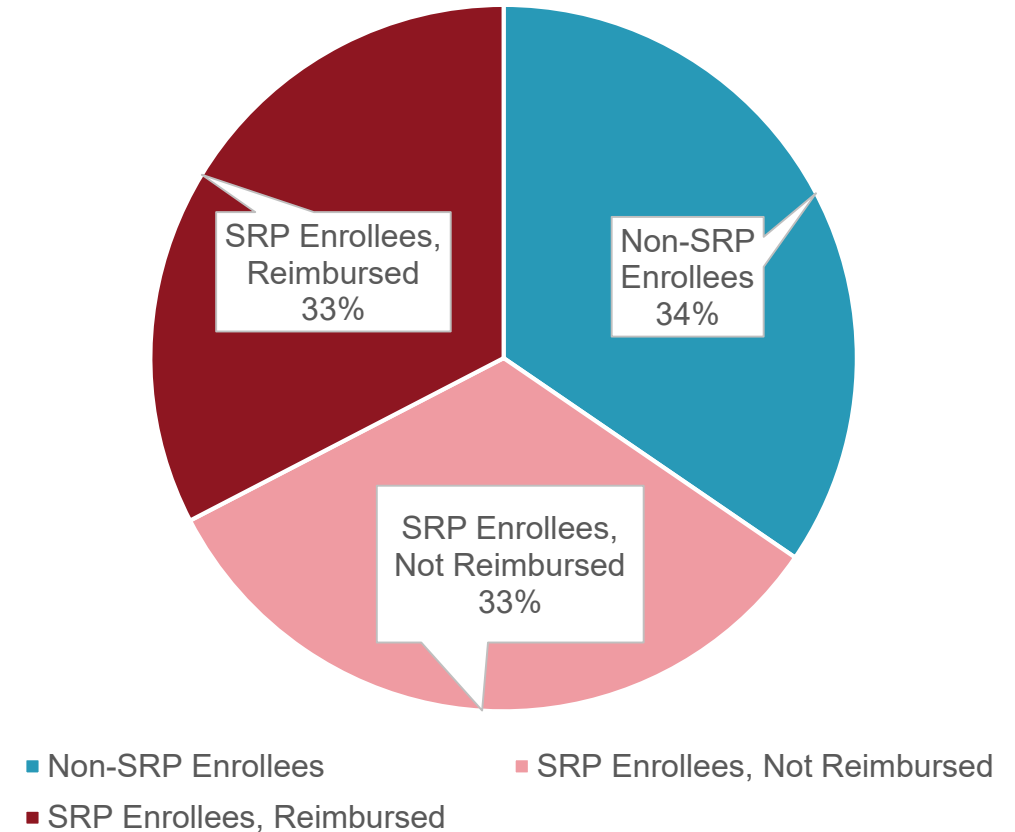
2019 Total Average Individual Market Enrollment



2019 Reinsurance Results – Paid Claims Breakdown

- Total paid claims in 2019 were about \$1.08B
- The 94% of enrollees who did not qualify for SRP payments accounted for 34% of paid claims
- The 6% of enrollees who qualified for SRP payments accounted for 66% of paid claims
 - The SRP reimbursed half of these claims, accounting for 33% of total paid claims
 - Issuers covered the other half, also accounting for 33% of total paid claims

2019 Paid Claims



Reinsurance Impact

- **Premiums are down:** Monthly premiums fell an average of 10% for 2020, on top of a 13% decrease for 2019, returning average rates to below 2018 levels
 - Without the reinsurance program, premiums would have been approximately 30% higher in 2019 and 2020.
- **Enrollment is up:** As of the May 2020, total individual market enrollment is up 8.7% year-over-year.
 - As of the end of open enrollment, Maryland's total 2020 individual market enrollment, including off-exchange enrollment, was 215,484 – up 1% from 212,149 in 2019.
 - Maryland compared favorably with the nation as a whole: Enrollment on the federal platform, HealthCare.gov, was down about 1.5% for 2020, compared to 2019²

1. Enrollment data as of the end of open enrollment preceding each plan year

2. [Health Insurance Exchanges 2020 Open Enrollment Report](#), Centers for Medicare and Medicaid Services, April 1, 2020

2021 Reinsurance Parameters

SRP Parameters - Regulatory Requirements

COMAR 14.35.17.04

B. Each year the Board shall set the payment parameters for the State Reinsurance Program by determining the following factors:

- (1) An attachment point;
- (2) A coinsurance rate;
- (3) A reinsurance cap; and
- (4) A market-level dampening factor provided by the Commissioner, if determined necessary by the Board.

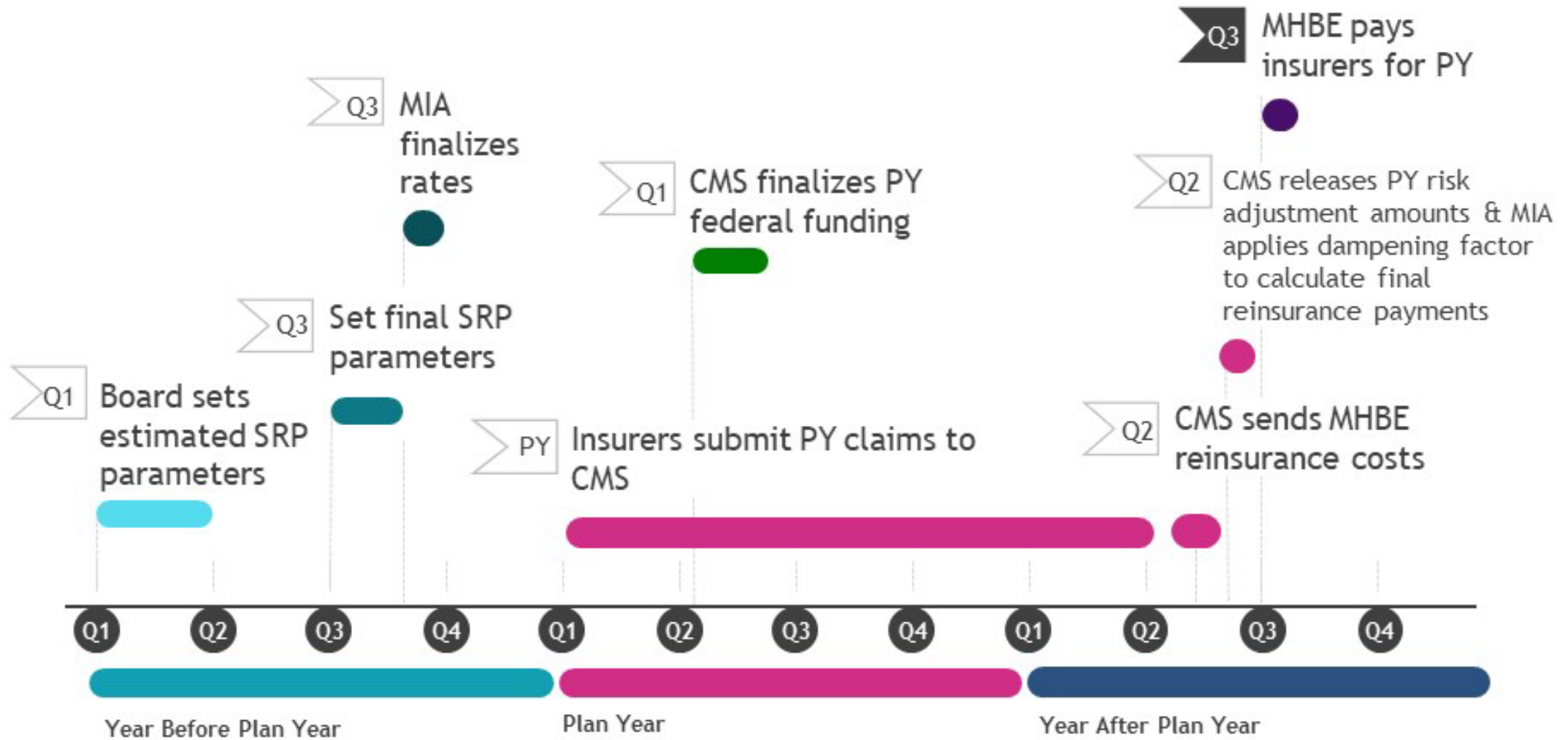
C. For each benefit year after 2019, the Board shall set the estimated payment parameters for the State Reinsurance Program on or before April 1 of the calendar year proceeding the applicable plan year.

D. For each benefit year after 2019, the Board shall set the final payment parameters for the State Reinsurance Program before December 31 of the calendar year proceeding the applicable plan year.

Background: How does the federal 1332 waiver work?

- Reinsurance reduces premiums in the individual market
- Lower premiums mean that the federal government's costs to subsidize insurance for low- and middle-income people are also lower
- The federal government passes those savings (“federal pass-through funding”) to MHBE to spend on the reinsurance program

Background: How is the SRP operationalized?



Calendar Year 2020 SRP Key Dates

February 17, 2020	MHBE Board	Set estimated 2021 SRP parameters.
May 1, 2020	MIA	2021 Rate Filing Deadline
May 2020	MHBE Policy	2019 Carrier Data Submission: - 2019 and emerging 2020 claims continuance table - 2019 Carrier EDGE Server Data
June 30, 2020	MHBE Policy	2019 Carrier SRP Accountability Reports Due
Early July 2020	MHBE Policy	- Finalize recommended 2021 SRP parameters and recommendation for SRP & Risk Adjustment Interaction - Estimate 2020 SRP payments
July 20, 2020	MHBE Board	Set final 2021 SRP parameters.
Mid-August – Early September	MIA	MIA 2021 Rate Release
September 2020	MHBE Policy	Issuers receive SRP payments for 2019 claims experience

Model Updates

Lewis & Ellis updated their modeling in several ways:

- Compared current results to prior projections to refine model and inform additional MHBE and carrier data requests
- Collected updated 2019 – 2020 claims experience data from the insurers currently participating in the individual market.
- Collected information for projection assumptions, including actual 2019 and 2020 to-date enrollment, information in 2021 rate filings (including carriers' assumptions for claims trend, enrollment and expenses), and data from CMS, MHBE and carriers to calibrate and project premiums, APTC, and federal funding
- Reviewed insurer claims from January-April/May 2020 to project estimated impact of COVID-19

Results of Updated Modeling

	2019	2020 (2019 projection)	2020 (Current projection)	2021 (2019 projection)	2021 (Current projection)
Enrollment	191,820	192,969	207,160	192,969	224,909
Total Non-Group Premium PMPM	\$535	\$464	\$494	\$482	\$424
Projected Total Cost	\$370,257,175	\$400,056,715	\$377,828,828	\$426,824,941	\$416,782,404
Projected Federal Pass-Through	\$373,000,000	\$324,809,728	--	\$373,930,947	\$591,221,568
Actual Federal Pass-through	\$373,400,000	\$447,277,359		Will be announced in 2021	

Impact of COVID-19

L&E projected a 2% reduction to reinsured claims for 2020 and a 1% reduction to reinsured claims for 2021 as a result of COVID-19.

L&E Analysis

- L&E estimated cumulative reinsurance payments for 2019 and 2020 at the end of March, April, and May. Total claims and reinsured claims were lower in 2020 compared to the same time period in 2019.
- L&E assumed that it is likely that another reduction in claims could occur in the second half of 2020 and in 2021 if there are subsequent waves of COVID cases.

Potential explanations

- Individual market is a small share of MD population, high-cost COVID cases may be more likely to be born by other government programs
- Deferred care among high-cost members outweighing COVID impact: “Maryland doctors sound the alarm after seeing drop in heart attacks and strokes amid coronavirus pandemic.” Hallie Miller, [The Baltimore Sun](#), April 20, 2020.

Potential SRP impact if MD experiences a higher COVID-19 impact

- MD COVID-19 hospitalization and death rates from COVID-19 have been roughly equal to the nationwide average. If MD experiences a higher COVID-19 impact in late 2020 or in 2021 (i.e., higher hospitalization and death rates such as those seen by NY or NJ in March and April of 2020), L&E projects reinsurance payments to increase from \$378M to \$391M in 2020 or from \$417 to \$430M in 2021.

Final 2021 SRP Parameters – Staff Recommendation

- Lewis & Ellis and MHBE staff recommend no change to the attachment point, coinsurance, and cap established for the 2019 and 2020 State Reinsurance Program.
- MHBE staff recommend that the Board again determine that a dampening factor, to be provided by the Commissioner, is required.

Parameters	Final 2019	Final 2020	Recommended 2021
Attachment Point	\$20,000	\$20,000	\$20,000
Coinsurance Rate	80%	80%	80%
Cap	\$250,000	\$250,000	\$250,000
Dampening Factor	.800	.785	Yes

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2021 Dampening Factor

Presentation by MIA

Dampening Factor Background

September 2019 analysis by L&E found that the risk adjustment and reinsurance in 2020 were interacting and would result in individuals with the highest claims being the most profitable, indicating that a dampening factor was appropriate.

2020 Market-wide dampening factor:

- Lewis & Ellis analyzed risk adjustment/reinsurance interaction using a claim-based approach and a risk-based approach, and recommended a choice of dampening factors depending on the approach:
 - Claims-based: .785 – Implemented by MIA
 - Difference in loss ratios between low claims and high claims: 46%
 - Risk-based: .75 – Approach released for public comment
 - Difference in loss ratios between RA payers and RA receivers: 64%

Hybrid Approach

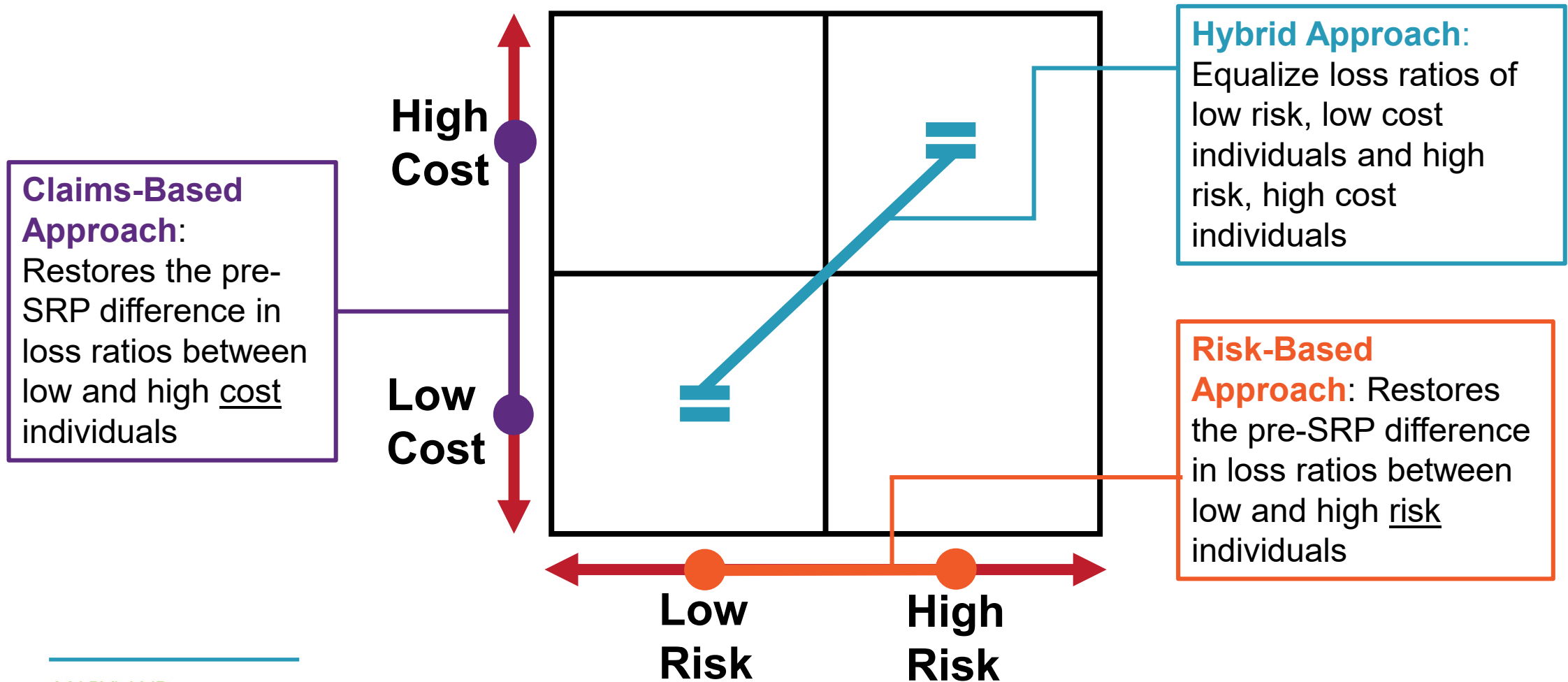
Public Comment on Risk-Based Approach

- MHBE received comments from both carriers participating in the individual market. One was in favor of the risk-based approach, and one expressed a number of concerns with the approach.

MIA Reinsurance and Risk Adjustment Cohort-Based Approach

- MIA has developed an approach to establishing the dampening factor that blends aspects of the claims-based and risk-based approaches.
 - Claims-based approach calculates the difference in loss ratios for low claims and high-claims cohorts before reinsurance, and uses the dampening factor to restore it
 - Risk-based approach calculates the difference in loss ratios for risk adjustment payers and receivers before reinsurance, and uses the dampening factor to restore it
 - MIA hybrid approach divides individuals into four cohorts (risk adjustment payer/receiver and SRP not receiver/receiver) and equalizes the loss ratio between (1) those who pay into RA and don't receive reinsurance) and (2) those who receive both risk adjustment and reinsurance payments.
 - Would result in a dampening factor of .773 for 2020

Comparison of Dampening Factor Approaches



2021 Dampening Estimates

Dampening Factor Estimates

	2020	2021	
Claims-Based	0.785	0.865	10.2%
Risk-Based	0.750	0.821	9.4%
Hybrid	0.773	0.760	-1.7%

The MIA recommends a dampening factor of 0.760, as computed by the hybrid method, for 2021.

2019 Dampening Factor Update

The dampening factor represents the amount that the federal risk adjustment would need to be adjusted to correct for the overlap between the two programs. In practice, CMS is not adjusting its risk adjustment payments. Rather, a carrier-specific adjustment is being applied to the state reinsurance payments to replicate the impact of dampened risk adjustment payment.

DRAFT Carrier-Specific Reinsurance Adjustments for 2019

	(1)	(2)	(3) = 0.800 * (2)	(4) = (2) - (3)	(5) = 1 - (4)/(1)	(6) =(1) * (5)	Check	
	Adjudicated Reinsurance	Risk Adjustment Actuals	Dampened Risk Adjustment	\$ Amount Dampened	Carrier-Specific Reins Adjustment	Adjusted Reinsurance	(7) = (1) + (3) Ajudicated Reins + Dampened RA	(8) = (2) + (6) Adjusted Reins + Actual RA
BlueChoice	\$210,706,310	\$20,728,871	\$16,583,097	\$4,145,774	0.980	\$206,560,535	\$227,289,407	\$227,289,407
CFMI	\$43,955,520	\$46,524,596	\$37,219,677	\$9,304,919	0.788	\$34,650,601	\$81,175,197	\$81,175,197
GHMSI	\$33,258,057	\$36,172,300	\$28,937,840	\$7,234,460	0.782	\$26,023,598	\$62,195,897	\$62,195,897
Kaiser	\$64,878,710	(\$103,425,767)	(\$82,740,614)	(\$20,685,153)	1.319	\$85,563,864	(\$17,861,904)	(\$17,861,904)
Total Market	\$352,798,597	\$0	\$0	\$0	1.000	\$352,798,597	\$352,798,597	\$352,798,597



Board Action

Board Action Required

Staff requests that the Board approve the final parameters for the 2021 State Reinsurance Program as follows: an attachment point of \$20,000, a coinsurance rate of 80%, a cap at \$250,000, and a dampening factor to be provided by the Insurance Commissioner.

Thank you!

