

Section 1332 of the Patient Protection and Affordable Care Act (PPACA) State Innovation Waivers – Reinsurance Waiver Annual Report

Reporting Instructions: Please capture data for annual 1332 waiver grant reporting in this template, which has been developed based on your specific terms and conditions (STC), and in accordance with 45 CFR 155.1324(b)-(c). For any items that are marked “if applicable,” please refer to the requirements in your STCs to determine whether you need to fill in those data fields. Draft annual reports are due within 90 days of the end of each calendar year that your waiver is in effect.

STATE: Pennsylvania

A. GRANTEE INFORMATION		
1. Reporting Period End Date <div style="font-size: 1.2em; font-weight: bold;">Dec 31, 2022</div>	2. Report Due Date <div style="font-size: 1.2em; font-weight: bold;">Mar 31, 2023</div>	3. Report Submitted On (Date) <div style="font-size: 1.2em; font-weight: bold;">Mar 31, 2023</div>
4. Federal Agency and Organization Element to Which Report is Submitted Consumer Information & Insurance Oversight		
5. Federal Grant Number Assigned by Federal Agency SIWIW210015	6a. UEI Number <div style="font-size: 1.2em; font-weight: bold;">609513544</div>	6b. EIN <div style="font-size: 1.2em; font-weight: bold;">236003060</div>
7. Recipient Organization Name <div style="font-size: 1.2em; font-weight: bold;">Insurance, Pennsylvania Department Of</div>		
Address Line 1 <div style="font-size: 1.2em; font-weight: bold;">1326 Strawberry Sq</div>		
Address Line 2 		
Address Line 3 		
City <div style="font-size: 1.2em; font-weight: bold;">Harrisburg</div>	State <div style="font-size: 1.2em; font-weight: bold;">Pennsylvania</div>	ZIP Code <div style="font-size: 1.2em; font-weight: bold;">17120</div>
ZIP Extension <div style="font-size: 1.2em; font-weight: bold;">0046</div>	8. Grant Period Start Date <div style="font-size: 1.2em; font-weight: bold;">01/01/2021</div>	9. Grant Period End Date <div style="font-size: 1.2em; font-weight: bold;">12/31/2025</div>
10. Other Attachments (attach other documents as needed or as instructed by the awarding federal agency)		
Item 14c: For the response to item 14c, we have included an Excel spreadsheet (County-Level SLCS.xlsx). The request asks for the actual SLCS for Exchange plans in each rating area; however, in PA, the SLCS varies quite significantly from county-to-county rather than from rating area-to-rating area. Given that, we felt it would be most appropriate to provide the county-level information, which is consistent with how this information is provided in the annual Pass-Through Report as well.		

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B. REPORT CERTIFICATION
<p>11. Certification: I certify to the best of my knowledge and belief that this report is correct and complete for performance of activities for the purposes set forth in the award documents.</p>
<p>11a. Typed or printed name and title of Authorized Certifying Official Shannen M. Logue, Deputy Insurance Commissioner Office of Product Regulation</p>
<p>11b. Signature of Authorized Certifying Official Shannen M. Logue Digitally signed by Shannen M. Logue Date: 2023.03.31 17:55:52 -04'00'</p>
<p>11c. Telephone (area code, number, and extension) (717) 307-0223</p>
<p>11d. Email address slogue@pa.gov</p>
<p>11e. Date report submitted (month/day/year) 03/31/2023</p>
C. PROGRESS OF SECTION 1332 WAIVER – <u>General</u>
<p>12. Provide an update on progress made in implementing and/or operating the state's approved 1332 waiver program.</p> <p style="font-size: x-small;">The Department's State Relief and Empowerment Waiver ("Waiver") application under Section 1332 of the Patient Protection and Affordable Care Act ("PPACA") was approved as of August 4, 2020. Pennsylvania has a waiver of the PPACA requirement for a single risk pool under which it is implementing a reinsurance program for up to five years beginning with plan year 2021. Implementation of this reinsurance program is expected to lower individual market premiums in the state and the Premium Tax Credits (PTC) to which Pennsylvania residents would have been entitled absent the waiver. These PTC savings will be passed through to the state for implementation of the waiver plan. As specified in 40 Pa. C.S. § 9503(a), the Department is administering the program (PA-Re) according to applicable federal and state law.</p> <p style="font-size: x-small;">As outlined in 40 Pa. C.S. § 9503(b), the Department is performing all functions necessary to carry out the operations of the reinsurance program. To execute these functions, the Department procured through contracts actuarial consultant services and reimbursement claims tracking services. The program has not been modified since the signing of the STCs.</p> <p style="font-size: x-small;">Reimbursement Process: The reimbursement process complies with Act 42 of 2019. The Department has entered into an agreement with CMS under which CMS uses the EDGE system to calculate reinsurance payments to participating insurers. As set forth in Pennsylvania's Waiver Application (at page 15), the Department's first reimbursement for claims in calendar year 2021 occurred during July and August 2022. Reimbursements were processed via ACH or check to insurers.</p> <p style="font-size: x-small;">Final Rates Announcement: On September 27, 2022, the Department released the final rates for 2023, which for the individual market show an average statewide approved increase of 5.5 percent. Those rates also reflected the reinsurance parameters for 2023: an attachment point of \$60,000, a cap of \$100,000 and a coinsurance rate of 53%. Pennsylvania's Reinsurance Program created under the Federal Section 1332 State Relief and Empowerment Waiver and enabled by Act 42 of 2019 continues to positively impact gross rates: the 2023 individual market premiums are 4.3% lower than they would have been without the program. For most consumers, however, the impact of the reinsurance program on their net rates is overridden by the subsidy relief provided through the American Rescue Plan Act and the Inflation Reduction Act.</p> <p style="font-size: x-small;">https://www.media.pa.gov/pages/insurance-details.aspx?newsid=482</p>
<p>13. Describe any implementation and/or operational challenges to meet the 1332 statutory guardrails, and plans for and results of associated corrective actions. After the first year, only report on changes and/or updates, as appropriate.</p> <p>After the first year, only report on changes and/or updates, as appropriate. To date, the Department has not experienced any challenges related to the operations of the reinsurance program. The Department remains alert to the potential need to adapt to federal or state legislation that relates to PPACA, specifically changes that could influence premium, enrollment, or subsidies. Notably, the Department has observed the beneficial impact of the American Rescue Plan Act and subsequent Inflation Reduction Act on enrollment and premium subsidies; Congressional efforts to make that impact permanent are welcomed considering the positive impact to those who now have health insurance coverage and would not otherwise.</p>

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D. PROGRESS OF SECTION 1332 WAIVER – <u>State-Specific</u>		
14. Metrics to assist evaluation of the waiver's compliance with statutory requirements in Section 1332(b)(1)		
	Value	Comments (if applicable)
a. Actual individual market enrollment on the Exchange in the state	333,561	Monthly average for calendar year 2022
Actual individual market enrollment off the Exchange in the state	92,681	Monthly average for calendar year 2022
b. Actual average individual market premium rate on the Exchange (i.e., total individual market premiums divided by total member months of all enrollees)	\$618.89	Calendar year 2022
Actual average individual market premium rate off the Exchange (i.e., total individual market premiums divided by total member months of all enrollees)	\$499.96	Calendar year 2022
c. Actual Second-Lowest Cost Silver Plan (SLCSP) premium for Exchange plans under the waiver for a representative consumer (e.g., a 21-year-old non-smoker) in each rating area	See attached County-Level SLCS file, row 10	Provided at the county level for calendar year 2022
Estimate of the SLCSP premium for Exchange plans as it would have been without the waiver for a representative consumer (e.g., a 21-year-old non-smoker) in each rating area	See attached County-Level SLCS file, row 9 Provided at the county level for calendar year 2022	Provided at the county level for calendar year 2022
d. For states with State-based Exchanges , actual amount of Advanced Premium Tax Credit (APTC) paid to issuers, by rating area for the plan year	<ul style="list-style-type: none"> * 1: \$83,113,259 * 2: \$12,551,162 * 3: \$146,009,174 * 4: \$284,121,140 * 5: \$84,272,766 * 6: \$177,612,351 * 7: \$278,407,607 * 8: \$566,142,760 * 9: \$149,022,925 	Calendar year 2022
e. For states with State-based Exchanges , actual number of APTC recipients for the plan year. This should be reported as number summed over all 12 months and divided by 12 to provide an annualized measure.	300,348	Calendar year 2022

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15. Please confirm whether there was any impact of the waiver on the scope of benefits or Essential Health Benefit (EHB) benchmark.

Pennsylvania’s reinsurance waiver does not impact the scope of benefits covered on Pennsylvania's Essential Health Benefit benchmark.

16. Describe any changes to the state-operated reinsurance program, including changes to the funding level the program will be operating at for the next plan year, any changes to the approved payment parameters for reinsurance program reimbursement or changes to eligibility criteria for enrollees' claims to be reimbursed under the program.

In September 2022, the Final 2023 reinsurance parameters were announced: Attachment Point: \$60,000, Reinsurance Cap: \$100,000, Coinsurance: 53%

In comparing the results from the 2022 modeling to the 2023 modeling, the percentage of the program that is projected to be funded by pass-through amounts decreased from approximately 73.8% to 68.9%. That change drove the need to reduce the size of the program in order to achieve a similar targeted net cost to the state of approximately \$42M in 2023.

17. Describe any changes in state law that might impact the waiver and the date(s) these change occurred or are expected to occur.

No changes have been made in state law that impact the waiver.

18. Report on spending:

	Value	Comments (if applicable)
a. Amount of federal pass-through funding spent on individual claim payments to issuers from the reinsurance program	\$154,896,164.69	2022 reimbursement claims were processed in the summer of 2023
b. Amount of federal pass-through funding spent on operation of the reinsurance program	\$0.00	Federal pass-through funds are not used to cover operational costs
c. Amount of any unspent balance of federal pass-through funding for the reporting year	\$0.00	2022 federal pass-through funding was completely utilized for 2022 claim reimbursements
d. Amount of state funding contribution to fully fund the program for the reporting year	\$30,646,231.69	All 2022 claim reimbursements have been issued.

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19. If applicable, provide a claims breakout at an aggregate level for the top five conditions or cost drivers of the five conditions, including settings of care in the individual market.

Not applicable because Pennsylvania has a claims-based reinsurance program.

20. If applicable, report on any incentives for providers, enrollees, and plan issuers to continue managing health care cost and utilization for individuals eligible for reinsurance.

It is expected that issuers will continue to have incentives to apply their care management practices even for individuals eligible for reinsurance. This is because issuers will be reimbursed for only a portion of a given member's claim costs between the attachment point and reinsurance cap. Each QHP year, the Department asks insurers what incentives they apply to their care management practices for individuals eligible for reinsurance, based on communications with the insurers, the insurers apply their standard cost of care management activities in the individual market, which may be eligible for reinsurance. These activities include, but are not limited to, disease management programs, high-cost claim management, high-risk member outreach, care coordination, case management population and subpopulation programs. Insurers provide programs for both providers and enrollees that seek to prioritize the health of the enrollees while managing health care costs and claims. Some insurers have additional cost savings initiatives that include a shared savings arrangement or pay for performance where education, support, and telephonic intervention are activities employed by the insurers operating in the Individual Marketplace.

21. If applicable, report of any reconciliation of reinsurance payments that the state wishes to make for any duplicative reimbursement through the state reinsurance program for the same high-cost claims reimbursed through the Department of Health and Human Services (HHS)-operated high-cost risk adjustment program.

	Value	Comments (if applicable)
a. Reinsurance payment (before reconciliation) for high-cost claims to issuers who also receive payment through the HHS risk adjustment program under the high-cost risk pool		N/A
b. Risk adjustment amount paid by HHS for those claims		N/A
c. Reinsurance reconciliation (or true-up) amount applied		N/A

E. POST-AWARD FORUM

22. Was the date, time, and location of the Post-Award Forum advertised 30 days in advance?

- Yes
 No

23. State website address where Post-Award Forum was advertised

2023 Forum - Not yet scheduled.

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<p>24. Date Post-Award Forum took place 2023 Forum - Not yet scheduled.</p>
<p>25. Summary of Post-Award Forum, held in accordance with §155.1320(c), including all public comments received and actions taken in response to concerns or comments. 2023 Forum - Not yet scheduled.</p>
<p>26. Other Attachments (attach other documents as needed pertaining to Post-Award Form)</p>
<p style="text-align: center;">F. STATE INTERNAL IMPLEMENTATION REVIEW – ATTESTATION</p>
<p>27. Attestation: The state attests that periodic implementation reviews related to the implementation of the waiver have been conducted in accordance with 31 CFR 33.120(b) and 45 CFR 155.1320(b).</p> <p><input checked="" type="radio"/> Yes <input type="radio"/> No</p>
<p>28. Describe the state's implementation review process.</p> <p>The department is in compliance with 31 CFR 33.120(b) and 45 CFR 155.1320(b) as the state regularly monitors the implementation of the section 1332 waiver. Cross functional periodic reviews are conducted to review and discuss the requirements associated with monitoring and implementing the reinsurance program.</p>