

## 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 paragraph 10 of 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:

<b>A. GRANTEE INFORMATION</b>		
<b>1. Reporting Period End Date</b> Dec 31, 2023	<b>2. Report Due Date</b> Mar 31, 2024	<b>3. Report Submitted On (Date)</b> 03/28/2024
<b>4. Federal Agency and Organization Element to Which Report is Submitted</b> Consumer Information & Insurance Oversight		
<b>5. Federal Grant Number Assigned by Federal Agency</b> SIWIW210015	<b>6a. DUNS Number</b> 609513544	<b>6b. EIN</b> 236003060
<b>7. Recipient Organization Name</b> Insurance, Pennsylvania Department Of		
<b>Address Line 1</b> 1326 Strawberry Sw		
<b>Address Line 2</b>		
<b>Address Line 3</b>		
<b>City</b> Harrisburg	<b>State</b> Pennsylvania	<b>Zip Code</b> 17120
<b>Zip Extension</b> 0046	<b>8. Grant Period Start Date</b> 01/01/2021	<b>9. Grant Period End Date</b> 12/31/2023
<b>10. Other Attachments (attach other documents as needed or as instructed by the awarding Federal agency)</b>		
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		

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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>B. REPORT CERTIFICATION</b>
<p><b>11. Certification:</b> 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><b>11a. Typed or printed name and title of Authorized Certifying Official</b> Shannen M. Logue, Deputy Insurance Commissioner of Product Regulation</p>
<p><b>11b. Signature of Authorized Certifying Official</b></p>
<p><b>11c. Telephone (area code, number, and extension)</b> (717) 307-0223</p>
<p><b>11d. E-mail address</b> slogue@pa.gov</p>
<p><b>11e. Date report submitted (month/day/year)</b></p>
<b>C. PROGRESS OF SECTION 1332 WAIVER - <u>General</u></b>
<p><b>12. Provide an update on progress made in implementing and/or operating the state's approved 1332 waiver program.</b>  <b>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.</b></p> <p><b>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.</b></p> <p><b>Reimbursement Process:</b>  <b>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 2022 occurred during summer 2023. Reimbursements</b></p>

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were processed via ACH or check to insurers.

**Final Rates Announcement:**

**On September 28, 2023, the Department released the final rates for 2024, which for the individual market show an average statewide approved increase of 4.1 percent. Those rates also reflected the reinsurance parameters for 2024: an attachment point of \$60,000, a cap of \$100,000 and a coinsurance rate of 50%. 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 2024 individual market premiums are 4.6% 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.**  
<https://www.media.pa.gov/pages/insurance-details.aspx?newsid=516>

**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.**

**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.**

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<b>D. PROGRESS OF SECTION 1332 WAIVER - State-Specific</b>		
<b>14. Metrics to assist evaluation of the waiver's compliance with statutory requirements in Section 1332(b)(1)</b>		
	<b>Value</b>	<b>Comments (if applicable)</b>
a. Actual individual market enrollment <b>on</b> the Exchange in the state	351,412	Monthly average for calendar year 2023
Actual individual market enrollment <b>off</b> the Exchange in the state	89,496	Monthly average for calendar year 2023
b. Actual average individual market premium rate <b>on</b> the Exchange (i.e., total individual market premiums divided by total member months of all enrollees)	\$648.20	Calendar year 2023
Actual average individual market premium rate <b>off</b> the Exchange (i.e., total individual market premiums divided by total member months of all enrollees)	\$532.62	Calendar year 2023
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 2023
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 2023
d. <b>For states with State-based Exchanges</b> , actual amount of Advanced Premium Tax Credit (APTC) paid to issuers, by rating area for the plan year	1: \$91,475,887 2: \$14,771,297 3: \$177,048,242 4: \$307,471,513 5: \$91,720,350 6: \$191,003,910 7: \$261,936,791 8: \$586,551,258 9: \$180,229,973	Calendar year 2023

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	Value	Comments (if applicable)
e. <b>For states with State-based Exchanges</b> , 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.	311,922	Calendar year 2023
<p><b>15. Please confirm whether there was any impact of the waiver on the scope of benefits or Essential Health Benefit (EHB) benchmark.</b></p> <p>Pennsylvania’s reinsurance waiver does not impact the scope of benefits covered on Pennsylvania's Essential Health Benefit benchmark.</p>		
<p><b>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.</b></p> <p>In September 2023, the Final 2024 reinsurance parameters were announced: Attachment Point: \$60,000, Reinsurance Cap: \$100,000, Coinsurance: 50%</p> <p>Changes in projected membership volumes and claim costs drove the need to modify the reinsurance parameters in 2024 slightly (relative to 2023) in order to achieve a similar targeted rate impact in 2024 as in 2023. Anticipated Reinsurance funds for PY23 are roughly \$155M. Where federal funds are approximately \$115M and the net state funding is approximately \$40M. Actual reimbursement amounts will depend on the final report of qualified claims submitted by insurers through EDGE.</p>		
<p><b>17. Describe any changes in state law that might impact the waiver and the date(s) these change occurred or are expected to occur.</b></p> <p>No changes have been made in state law that may impact the waiver.</p>		
<b>18. Report on spending:</b>		
	Value	Comments (if applicable)
a. Amount of Federal pass-through funding spent on individual claim payments to issuers from the reinsurance program	N/A	2023 claim reimbursements will be processed in the fall of 2024

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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	N/A	2023 claim reimbursements will be processed in the fall of 2024
d. Amount of state funding contribution to fully fund the program for the reporting year	N/A	2023 claim reimbursements will be processed in the fall of 2024
<p><b>19. If applicable, provide a claims breakout at an aggregate level for the top 5 conditions or cost drivers of the 5 conditions, including settings of care in the individual market.</b></p> <p>Not applicable because Pennsylvania has a claims-based reinsurance program.</p>		
<p><b>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.</b></p> <p>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. To elaborate, 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.</p>		
<p><b>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.</b></p>		
	<b>Value</b>	<b>Comments (if applicable)</b>
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	

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b. Risk adjustment amount paid by HHS for those claims	N/A	
c. Reinsurance reconciliation (or true-up) amount applied	N/A	
<b>E. POST-AWARD FORUM</b>		
<b>22. Was the date, time, and location of the Post-Award Forum advertised 30 days in advance?</b>		
<input checked="" type="radio"/> <b>Yes</b> <input type="radio"/> <b>No</b>		
<b>23. State website address where Post-Award Forum was advertised</b>		
www.insurance.pa.gov/pa1332waiver		
<b>24. Date Post-Award Forum took place</b>		
June 28, 2023		
<b>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.</b>		
Public Forum 2023: The Public Forum was held in-person on June 28th, 2023. There were no attendees to the in-person forum, and only 2 participants dialed-in to the call. There were no comments or questions submitted during the open comment period and no questions or comments from the attendees during the public forum.  The PA Bulletin notice for the 2023 forum, and the recording of the forum, are posted to the Department's public website <a href="http://www.insurance.pa.gov/PA1332waiver">www.insurance.pa.gov/PA1332waiver</a> .		
<b>26. Other Attachments (attach other documents as needed pertaining to Post-Award Form)</b>		
<b>F. STATE INTERNAL IMPLEMENTATION REVIEW - ATTESTATION</b>		
<b>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).</b>		
<input checked="" type="radio"/> <b>Yes</b> <input type="radio"/> <b>No</b>		



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**28. Describe the state's implementation review process.**

**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.**