

Annual Section 1332 Operations Report

Reinsurance Program Overview:

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.

When a company provides health insurance, it provides insurance coverage for many people. There are times when claims costs are extremely high due to the nature of an illness or injury of an individual. Insurance companies need to collect enough premium from all their insureds to pay all of their claims, including potential claims with high medical costs.

Under the Pennsylvania Section 1332 Reinsurance program (PA-Re), PA-Re will reimburse health insurers for a percentage of claims costs (coinsurance rate) above a certain threshold (attachment point) and up to a set cap (reinsurance cap). By removing some of the high medical cost claims from their calculation of premium rates, insurers can reduce the amount of premium an insured pays because some of those high medical costs are paid by reinsurance.

On September 27, 2022, the Department released the final rates for 2023, which for the individual market showed an average statewide increase of 5.5 percent. Those rates reflected the reinsurance parameters for 2023: an attachment point of \$60,000, a cap of \$100,000 and a coinsurance rate of 53 percent. PA-Re continues to provide measurable savings. For instance, in 2023, the program resulted in individual market premiums that were 4.3 percent lower than they would have been without the program.

Pennsylvania Health Insurance Exchange (PHIEA) Funding:

The federal government used to collect an exchange user fee from Pennsylvania health insurers. In 2021, the Commonwealth transitioned to a State Based Exchange (SBE) operated by PHIEA. The Exchange Authority, known as Pennie®, charges a three percent exchange user fee, which used to be charged by the federal exchange. The Exchange Authority utilizes the funds to operate Pennsylvania's exchange, with certain budgeted funds being allocated to the reinsurance program.

The amount of contribution from Pennie® to fully fund Pa-Re for the reporting year 2022 was \$30,646,231.69. The funds were added to the federal pass-through funds to create a single pool for reinsurance reimbursement to qualified claims for eligible insurers.

Federal Pass-Through Funding:

Pennsylvania receives "pass through" dollars from the federal government to supplement the Pennie® funds. When premiums are lowered by the reinsurance program, the federal government realizes a

savings because it does not need to pay as much in premium tax credits. The federal government then “passes through” these savings to the state for use as additional funding within the reinsurance program. The amount of Federal pass-through savings from the reinsurance program for 2022 was \$124,249,933.

Section 1332 Reinsurance Operational Expenses:

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 which includes paying for vendors performing actuarial consultant services, financial audit consulting services, and reimbursement claims tracking services. The annual operating budget for 2022 was in the amount of \$350,000. No full-time employees are used to administer the program and no federal pass-through funds were spent on operations for the reinsurance program.

Reinsurance Reimbursements:

The reinsurance pool, which is used for reimbursement of 2022 claims, was in the amount of \$169,000,000.00, which included \$124,249,933.00 drawn down from the federal payment management system (PMS), and \$30,646,231.69 from Pennie®. The total amount of requested reinsurance reimbursements from eligible insurers was in the amount of \$154,896,164.69. Reinsurance reimbursements were issued in July and August 2023, to eligible issuers for qualified claims.

Eligible Insurer Legal Name	NAIC Code	Qualified Claims Reimbursement Requests
Capital Advantage Assurance Company	45127	\$27,848,599.58
Capital Advantage Insurance Company CAIC	82795	\$0.00
Cigna Health and Life Insurance Company	13401	\$521,139.90
First Priority Health	83731	\$10,396.35
Geisinger Health Plan	22444	\$8,770,288.78
Geisinger Quality Options	75729	\$2,802,412.69
Highmark Benefits Group Inc.	79962	\$7,488,564.13
Highmark Coverage Advantage Inc.	79279	\$2,318,662.41
Highmark Inc.	33709	\$21,694,697.43
Independence Blue Cross (QCC Ins. Co.)	31609	\$18,080,837.85
Keystone Health Plan Central	53789	\$124,363.85
Keystone Health Plan East, Inc	33871	\$31,300,364.99
Oscar Health Plan of Pennsylvania, Inc.	98517	\$695,281.66
Pennsylvania Health & Wellness, Inc.	86199	\$939,324.38
UPMC Health Coverage, Inc.	62560	\$1,310,742.66
UPMC Health Options, Inc.	16322	\$30,990,488.03
Total Reimbursements		\$154,896,164.69

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, notably 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 longer lasting is welcomed considering the positive impact to those who now have affordable health insurance coverage and would not have had health insurance coverage otherwise.