



Oscar Health Plan of Pennsylvania, Inc.
75 Varick St, 5th Floor
New York, NY 10013

December 13, 2019

Mr. David Buono
Senior Advisor to Commissioner/Consumer Liaison
Pennsylvania Insurance Department
1326 Strawberry Square
Harrisburg, PA 17120

Re: Pennsylvania's 1332 Waiver Application — Request for Public Comment

Dear Mr. Buono:

Thank you for providing Oscar the opportunity to offer input on Pennsylvania's 1332 Waiver Application. As a new market entrant for plan year 2020, we are eager to provide Oscar's patient-focused model to consumers in the Philadelphia region. In meeting the needs of state marketplaces, Oscar is an advocate of 1332 Waivers that focus on reinsurance as the primary mechanism for market stabilization. Reinsurance has been a contributing factor in the majority of the state markets that have successfully implemented 1332 Waivers in recent plan years, including Minnesota, New Jersey, Wisconsin, and Oregon, to name a few. In Oscar's view, reinsurance, as opposed to a condition-based mechanism, has a number of distinct advantages to aid in managing high cost enrollees, including:

- Operational and administrative simplicity.
- Predictability in forecasting the program's impact to market cost and premium.
- Less administrative burden — whereas, condition-based waivers are ultimately susceptible to federal modification of the risk adjustment mechanism itself.
- Track record of marketplace buy-in as seen in recent state waiver activity.

Consistent with Pennsylvania's application, high-cost reinsurance programs are traditionally defined to include an attachment point, coinsurance, and reinsurance cap. From an actuarial perspective, Oscar's recommendation pertaining to reinsurance parameter structure encompasses the following components:

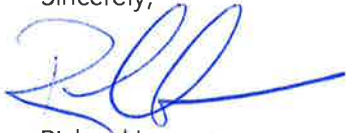
- Attachment point: Oscar views attachment points as the main parameter to target the overall materiality of the program. Higher attachment points reduce the likelihood of double-counting between 1332 waiver-based reinsurance and the federal risk adjustment mechanism.
- Coinsurance: Coinsurance percentages at or near 100% theoretically remove the incentive for the carrier community to manage high-cost activity by heavily mitigating risk exposure.

- Reinsurance cap: While Oscar is generally an advocate of higher reinsurance caps, we do recommend that caps remain in sync and avoid duplicative coverage with the reinsurance parameters embedded in the federal risk adjustment mechanism. This translates to a parameter structure that maximizes coinsurance at 40% for claimants beyond \$1M annually.

Oscar recommends that the Department consider the above criteria when establishing the reinsurance parameter structure in an effort to maintain proper coordination between federal and state policy and program implementation and to maintain efficient use of federal pass-through funding.

Oscar appreciates the opportunity to comment on Pennsylvania's 1332 Waiver program and supports the Department's efforts to make health insurance more affordable for consumers. We look forward to continued engagement with the Department.

Sincerely,



Richard Loconte
Vice President
Government Affairs
Oscar Health Plan of Pennsylvania, Inc.