Pennsylvania's Proposed 1332 Waiver Application

Public Hearing – December 5, 2019

Keystone Building –hearing room 3

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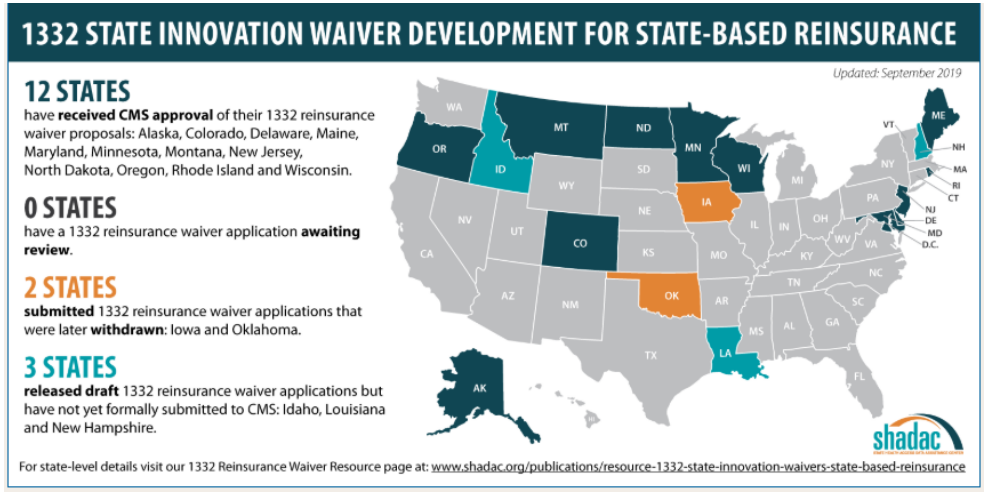
What is PA proposing?

- Pennsylvania is seeking to implement a state-based reinsurance program to strengthen the individual market. We will do this by using a Section 1332 through the Affordable Care Act (ACA) which permits a state to apply for a State Innovation Waiver
- The waiver application submitted by Pennsylvania, if approved and implemented, will take effect for the 2021 plan year, and will remain in effect for five years



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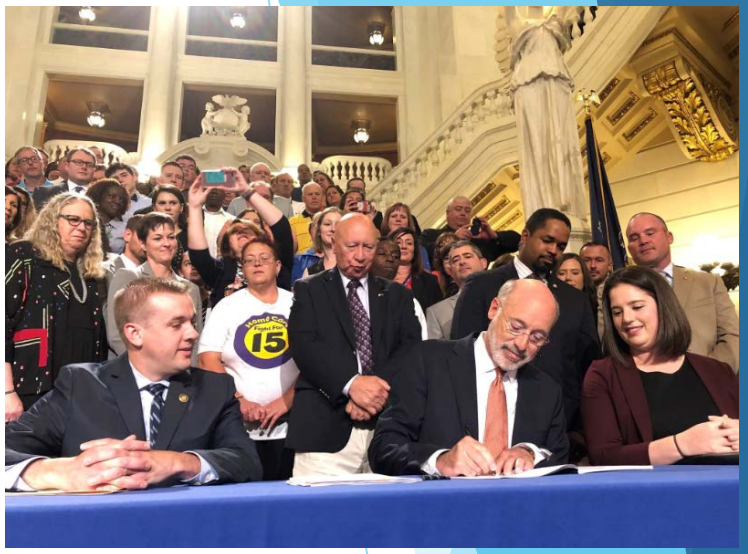
Authority for this proposal: Act 42



- Act 42 was signed into law by Governor Wolf on July 2, 2019
- Act 42 authorizes PID to
  - submit a 1332 waiver application specific to a reinsurance program
  - establish a state-based reinsurance program
  - secure funding for that reinsurance program

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What is a Section 1332 waiver?

- Named for section 1332 of the ACA
- Allows a state to pursue innovative programs and modify the rules outlined in the ACA to tailor health care coverage options to meet the unique needs of their markets and their residents
- A 1332 waiver allows states to take the federal dollars currently being expended for their residents through the ACA's financial assistance programs (premium tax credits and cost sharing reductions (CSRs) and reallocate those funds to state-specific initiatives so long as certain guardrails are met

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What are the guardrails?

- Coverage at least as comprehensive as ACA coverage
- Coverage that is at least as affordable as ACA coverage
- Providing coverage to a comparable number of state residents
- Not increasing the federal deficit

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PA 1332 Waiver

- Pennsylvania intends to submit a 1332 waiver application to the U.S. Department of Health and Human Services and the U.S. Treasury (the Departments) which, if approved, would allow PID to establish a reinsurance program in the Commonwealth's individual health insurance market
- The proposed waiver does **not** affect or make changes to Medicaid, CHIP, the Veteran's Administration (VA) health insurance plan or plans through your employer
- This concerns the private individual health insurance market **only**

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Recent History

Table 1 – Individual Market Underwriting Gain/Loss (in thousands)

	2014	2015	2016	2017	2018
Premium	$2,099,691	$2,576,875	$2,637,044	$3,077,400	$3,605,637
Gain/(Loss)	($180,850)	($441,406)	($288,114)	$314,168	594,948
G/L% of Prem	-8.6%	-17.1%	-10.9%	10.2%	16.5%

Sources: CMS MLR Reported Data (2014 through 2018)

- Pennsylvania's individual health insurance market experienced significant changes since the ACA was implemented
- In the first 3 years insurers experienced large underwriting losses. The most significant losses were in 2015 and 2016
- Following 2016's underwriting losses some insurers left the PA market
- Since 2017, PA has seen positive trends and stabilization with recent decreases in rates and the addition of two new insurers
- The number of consumers living in counties with just one health insurer will fall from just under 180,000 people in 2018 to approximately 9,000 for the 2020 coverage year
- We have recorded the lowest uninsured rate in PA history
- Competition is good!

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The Current Status

- There are concerns for the lack of affordability for all Pennsylvanians, particularly those who do not receive subsidies
- Through the reinsurance program, we expect to see moderated rates and increased enrollment in the coming years

The goal: More people covered at more affordable rates

Table 2 –Individual Market Member Months and Average Premium PMPM

	2013	2014	2015	2016	2017	2018
Member Months	456,000	606,000	642,000	598,000	511,000	469,000
Premium PMPM	$243	$289	$334	$368	$502	$641

Sources: CMS MLR Reported Data (2013 through 2018)

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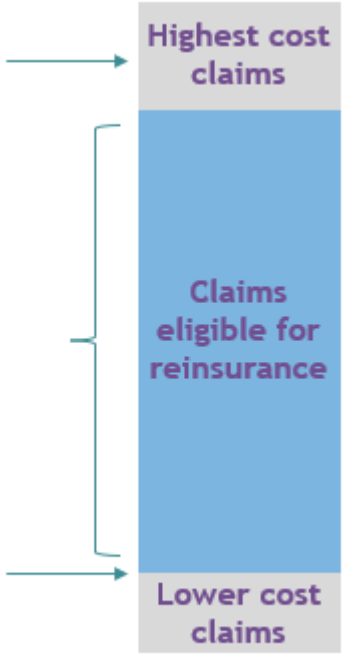
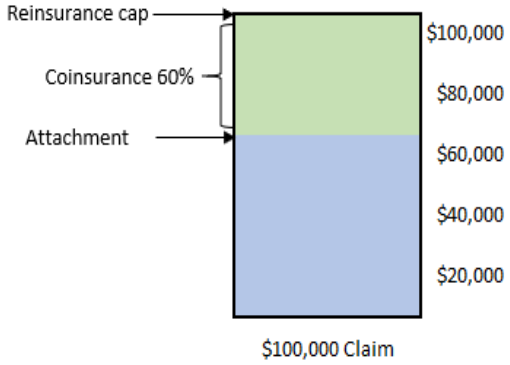
How would a reinsurance program work?

Reinsurance cap
Issuer is responsible for costs above the cap

Coinsurance rate
Issuer is paid a portion of claims costs, based on the coinsurance rate

Attachment point
Issuer is responsible for costs up to the attachment point





For example: If the attachment point was $60,000, the coinsurance was 60%, and the reinsurance cap was $100,000 the reinsurance amount would be $24,000.

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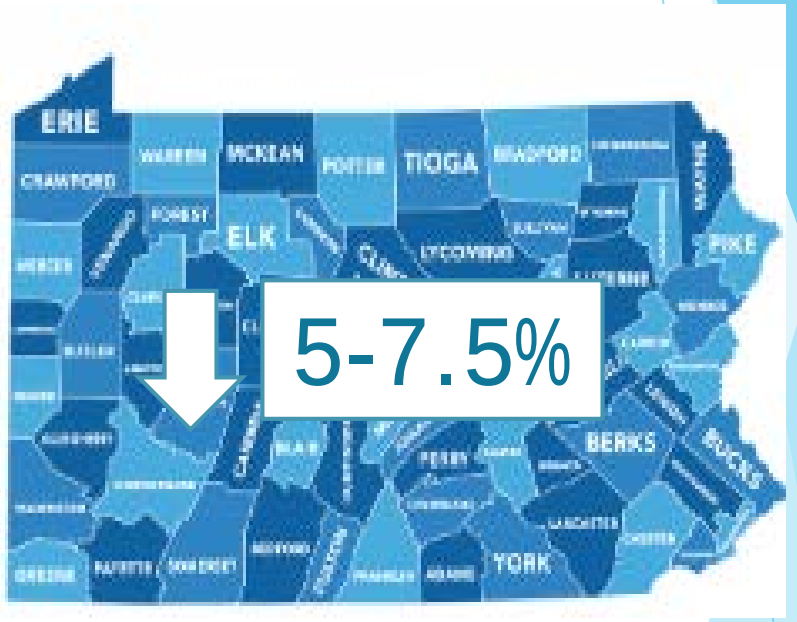
How will the reinsurance program affect Pennsylvanians?

- Offset costs associated with high-cost claims
- Provide premium relief to families and individuals who don’t receive financial assistance



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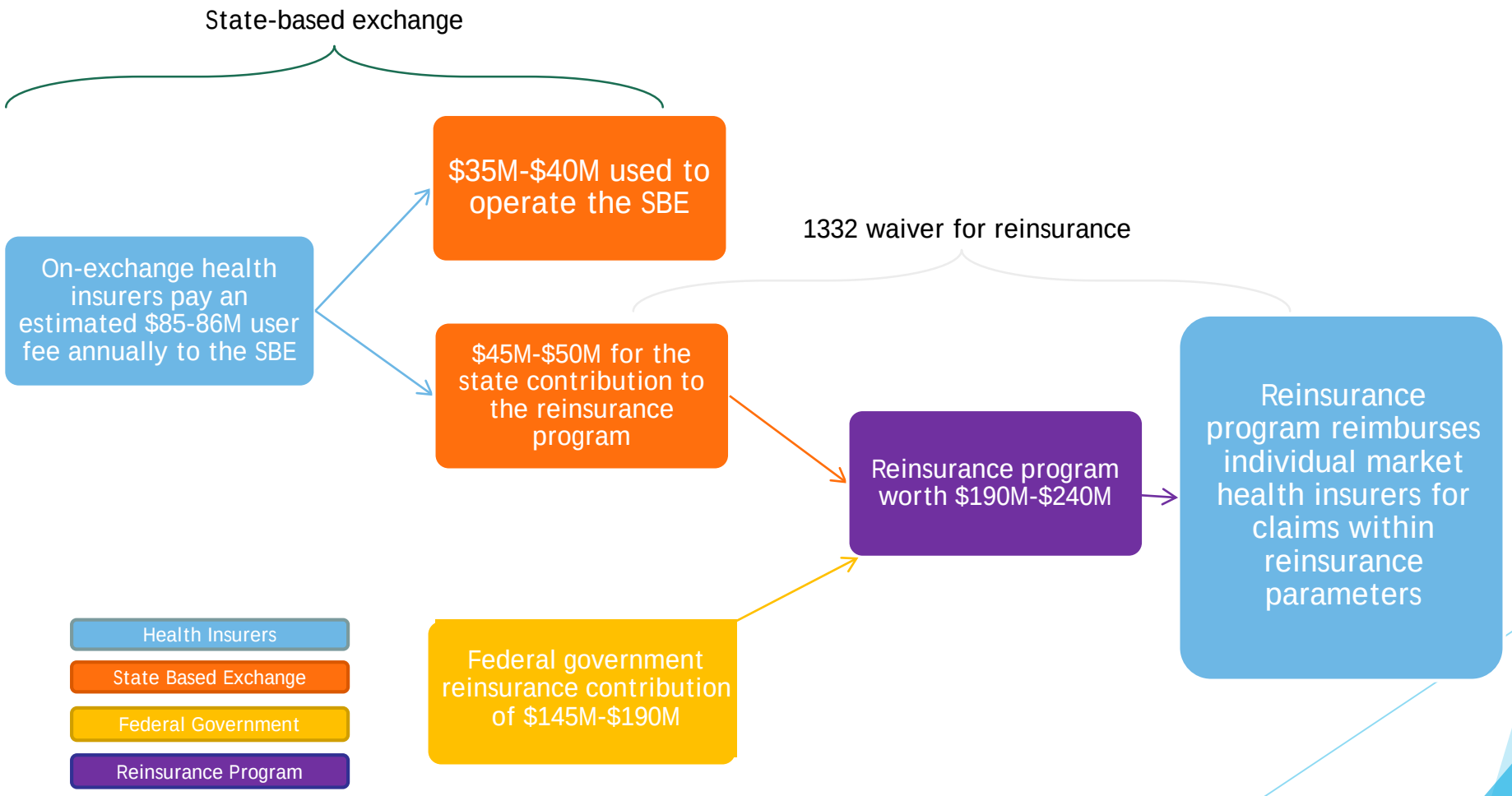
How will the reinsurance program be funded?



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Waiver Application Timeline

Date	
11/15/2019	Public Comment Period Begins (30 days)
12/03/2019	First Public Hearing held
12/05/2019	Second Public Hearing held
12/14/2019	Public Comment Period Ends
01/13/2020	Pennsylvania's 1332 waiver application is submitted to the Federal government
2 month review	CMS requires approximately two months for review and final approval of a waiver, including a federal 30-day comment period
Fall 2020	If approved by CMS, the rate filings inclusive of reinsurance will be approved in the fall and effective in time for Open Enrollment for the 2021 plan year
01/01/2021	2021 rates are in effect. Reinsurance programs begins

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30- Day Public Comment Period and Hearings

- PID is hosting 2 public hearings to gather public input
  - December 3, 2019 at the Nittany Lion Inn
  - December 5, 2019 at the Keystone Building –Hearing Room 3
- We are accepting public comments on the 1332 Waiver Application beginning November 15, 2019 and ending Saturday, December 14, 2019
  - Comments may be sent via electronic mail to: RA-IN-PA1332WAIVER@pa.gov

    Or by postal mail to:

    Pennsylvania Insurance Department 1332 Innovation Waiver
    Attn: David Buono
    1326 Strawberry Square
    Harrisburg, PA 17120

For additional information and updates, go to www.insurance.pa.gov/PA1332waiver

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Contact Us

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Any Questions/Feedback?

- Dave Buono
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- (717)772-4335

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Public Comment

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