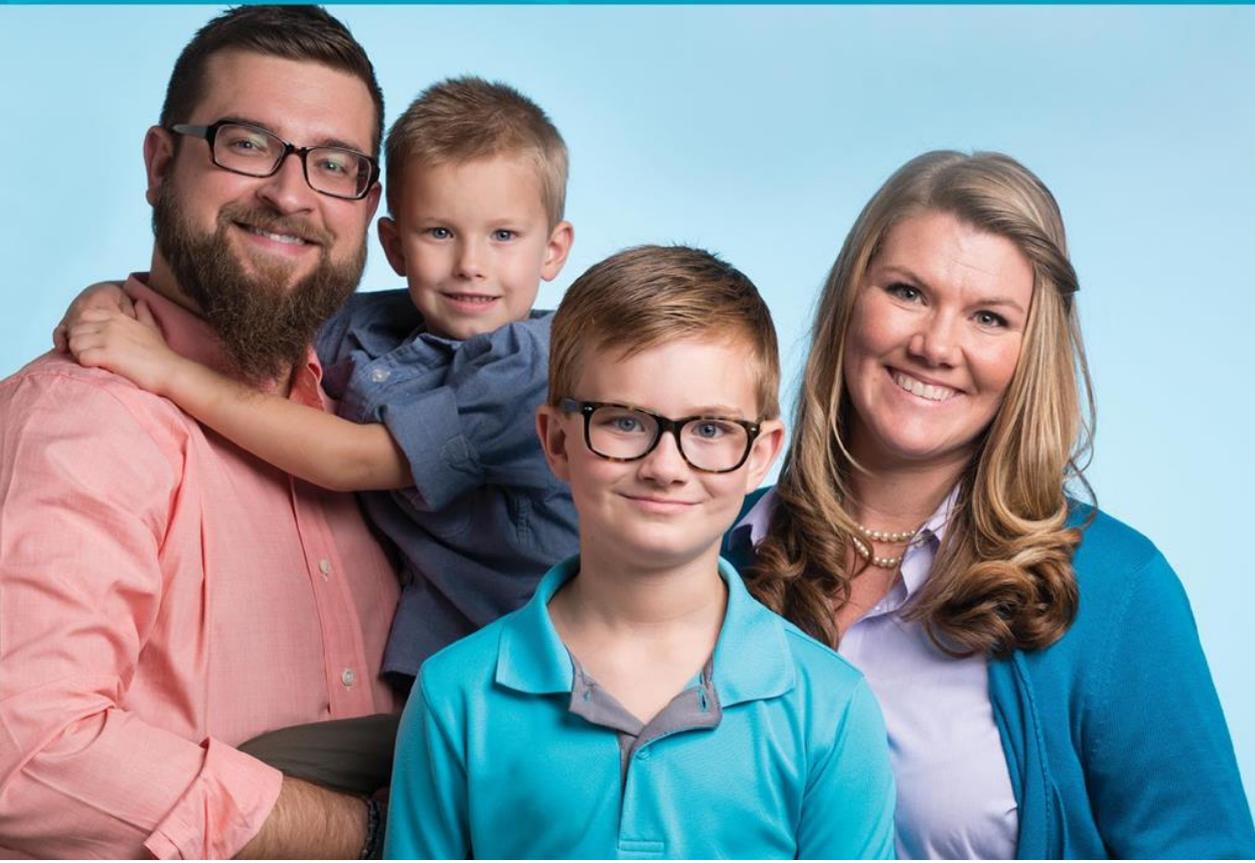


Maryland State Innovation Waiver Application: State Reinsurance Program April 20 – May 20, 2018



State Reinsurance Program Legislation & Action to Date

- Two bills from the 2018 Maryland Legislative Session impact the State Reinsurance Program House Bill 1795 – Establishment of a Reinsurance Program & Senate Bill 387 Maryland Health Care Access Act of 2018.
- Signed by Governor Larry Hogan on April 5 and April 10. These bills are a bipartisan short-term solution to address premium affordability and market stabilization in Maryland's individual health insurance marketplace.
- HB 1795, establishes a claims-based State Reinsurance Program to offset the impact of high cost enrollees in the individual marketplace. MHBE is required to apply for a State Innovation Waiver under section 1332 of the Affordable Care Act. Implementation of the program is contingent upon approval of waiver application.
- SB 387 places a 2.75% assessment on carriers to recoup the aggregate amount of the health insurance provider fee that was previously assessed under Section 9010 of the ACA. The Tax Cuts and Jobs Act to 2017 waived this fee for 2019. This funding source provides an estimated \$365 million (MIA/OCA) for the State Reinsurance Program.

State Reinsurance Program Legislation & Action to Date

- Applying for State Innovation Waiver allows the State to access federal pass-through funds to supplement the State Reinsurance Program - maximizing the impact of State funding.
- Important requirements to be included in a State Innovation Waiver include a funding level and parameters for the program. SB 387 supplies the funding level requirement.
- HB 1795 directs the MHBE Board of Trustees to determine parameters for the State Reinsurance Program. During the April 2018 Board meeting the MHBE Board of Trustees approved a resolution that supplies the parameters to be included in the draft State Innovation Waiver application:
 - an attachment point that will be determined based on funding availability and consideration of stakeholder feedback, a coinsurance rate of 80%, and a cap of \$250,000.
- MHBE released the State Innovation Waiver Application for public comment on Friday, April 20, 2018.

State Reinsurance Program Legislation & Action to Date

- MHBE has worked with Wakely Consulting Group, contracted through the Department of Legislative Services, to prepare the actuarial and economic analysis of the waiver.
- MHBE leveraged the Hilltop Institute at UMBC to develop the narrative portion of the application through an existing MOU.

State Innovation Waiver Application Walk-through and Estimated Impact

- Maryland seeks to waive Section 1312(c)(1) of the Affordable Care Act – determination of the market index rate. This would allow Maryland carriers to include expected State Reinsurance Program payments when determining their market index rate. Under existing rules, carriers may only use age and geography to determine their index rates. The higher the index rate, the higher the premium.
- Maryland is seeking federal pass-through funding, through net APTC savings, to fund a reinsurance program that targets a 30% premium reduction for 2019 and 2020. Total program costs for 2019 are approximately \$462 million.
- The decreased premiums will decrease federal spending on APTCs. The actuarial analysis estimates that federal savings will be \$280 million, \$293 million, and \$32 million in 2019, 2020, and 2021, respectively.
- Maryland estimates that the premium impact will result in a 5.8% increase in individual market enrollment in 2019.

State Innovation Waiver Application Walk-through and Estimated Impact

- Four “guardrails” apply to 1332 State Innovation Waivers. The waiver must:
 1. Provide access to quality health care that is **at least as comprehensive** as would be provided without the waiver.
 2. Provide access to quality health care that is **at least as affordable** as would be provided without the waiver.
 3. Provide coverage to **at least a comparable number** of residents as would be provided without the waiver.
 4. Does **not increase the federal deficit**.
- Maryland’s 1332 State Innovation Waiver is compliant with these guardrails. Guardrails two, three, and four are affected by the waiver. It would decrease premiums by 30 percent from what they would be absent the waiver, increases enrollment by 5.8% in 2019, and saves \$695 million over the 10-year budget window.
- Average premiums for 2018 in the individual market are \$604.50 per month. Absent the waiver, premiums are estimated to rise to \$735.66 in 2019. With the reinsurance program, premiums are estimated to be \$508.03 - a net **decrease** from 2018.

State Innovation Waiver Application Walk-through and Estimated Impact

- Its important to note that these estimations are based on average premiums and are not specific to any single carrier participating in the individual market.
- Each carrier has unique and specific factors that go into their rate determinations. The reinsurance program may have different impacts on each carrier.
- The MHBE Board of Trustees has left the attachment point for the reinsurance program to be determined at a later date after consideration of stakeholder feedback and additional carrier data is available.
- HB 1795 directs the MHBE Board of Trustees to adopt regulations administering the State Reinsurance Program and program parameters no later than January 1, 2019. MHBE will engage stakeholders over the summer of 2018 to inform the regulatory process.

Public Hearings Timeline and Opportunities to Provide Comment

- MHBE will host four public hearings across the state to gather public input:

Thursday, April 26, from 5 to 6 p.m. at the Chesapeake Room at the Talbot County Department of Parks and Recreation located at 10028 Ocean Gateway, Easton, MD 21601

Thursday, May 3, from 4 to 5 p.m. at the office of the Maryland Health Benefit Exchange, 750 East Pratt St., 6th Floor, Baltimore, MD 21205

Monday, May 7, 3 to 4 p.m., at Frederick County Local Health Department, 350 Montevue Lane, Frederick, MD 21702

Thursday, May 10, from 5 to 7 p.m., at the Charles County Local Health Department, 4545 Crain Highway, White Plains, MD 20695
- All supply written comments for the 1332 State Innovation Waiver to mhbe.publiccomments@maryland.gov. The comment period ends on May 20, 2018.

Thank you!

For more information: marylandhbe.com
Comment: mhbe.publiccomments@maryland.gov