



Maryland 1332 Waiver Hearing

May 10, 2018
Charles County Health Department
4545 Crain Highway
White Plains, MD 20695

Welcome & Introductions

Michele Eberle, Executive Director of the Maryland Health Benefit Exchange (MHBE), welcomed the public to the hearing and encouraged their participation.

1332 Waiver Presentation

John-Pierre Cardenas, MHBE Director of Policy and Plan Management, noted that this is the final of four public hearings. He began by describing the state legislation enabling the reinsurance program—House Bill (HB) 1795 – Establishment of a Reinsurance Program and Senate Bill (SB) 387 – Maryland Health Care Access Act of 2018. He explained that HB 1795 directs the MHBE to apply for a 1332 waiver, and SB 387 places a 2.75 percent assessment on premiums to fund the program. An attendee asked whether the tax applies to employer-sponsored or individual health plans. Mr. Cardenas responded that the tax will apply to any policy that is subject to the authority of the state. He further explained that the reinsurance program's attachment point has not been finalized because it depends on available funding and stakeholder input. The MHBE Board has already voted to approve a reinsurance cap of \$250,000 and a coinsurance rate of 80 percent. Mr. Cardenas explained that the reinsurance program is intended to address the large premium increases that have occurred over the past several years.

Next, Mr. Cardenas described how two outside organizations contributed to the waiver application process. The Wakely Consulting Group prepared the actuarial and economic analysis, and The Hilltop Institute developed the narrative portion of the waiver application.

Mr. Cardenas then provided a basic description of the waiver, explaining that it would reduce premiums by an average of 30 percent in the first year using a combination of state funds and federal pass-through funds. By allowing carriers to factor the reinsurance program into their premium rates, thus reducing those premiums, the MHBE expects the program to result in a 5.8 percent increase in individual market enrollment in 2019. A member of the public asked whether the 5.8 percent increase refers to the percentage of individuals or the percentage of premiums. Mr. Cardenas responded that it is a 5.8 percent increase in the number of people enrolled.

Next, Mr. Cardenas presented the four guardrails in which all 1332 State Innovation Waivers must comply. He explained that the proposed reinsurance program would be compliant with these guardrails. He added that, absent the waiver, the average premium is estimated to rise from \$604.50 per month to \$735.66 per month in 2019, whereas under the waiver, the average premium is expected to decrease from \$604.50 per month to \$508.03 per month. Mr. Cardenas emphasized that these estimates are based on average premiums and are not specific to any single carrier.

Mr. Cardenas concluded his presentation, noting that there is still opportunity to submit written comments. He also noted that there will be additional opportunities for stakeholder involvement in the regulatory process over the summer of 2018.

Michele Eberle acknowledged several audience members, including MHBE Board Vice Chair Tony McCann, MHBE Standing Advisory Committee member Evelyne Ward, Maryland Insurance Administration (MIA) staff, and MHBE staff.

Q&A/Discussion

Mr. Cardenas then opened the floor for questions and discussion from the attendees.

An attendee asked whether non-core benefits will change under the waiver. Mr. Cardenas responded that the ten core essential health benefits will not change. Non-essential benefits are determined by the insurance company, and the waiver will not have a direct impact on these. The attendee also asked for the list of essential health benefits. Mr. Cardenas and Joseph Fitzpatrick, Assistant Chief Examiner, of the MIA listed the following benefits: ambulatory care, behavioral health, emergency services, hospitalizations, prescriptions, maternal and prenatal health, primary care, laboratory services, pediatric services, and rehabilitative and habilitative services.

An attendee asked if there is a "Plan B" if the federal government does not approve the waiver as expected. Mr. Cardenas responded that the MHBE has been working very closely with the federal government to ensure that the application is complete and ready for a quick response. He noted that the legislation authorizing the program is contingent upon federal approval, so further legislative action would be required if the federal government does not approve the waiver. Ms. Eberle commented that this would require a special session of the Maryland General Assembly.

An attendee asked about the program's effect on people who do not buy coverage through the exchange. Mr. Cardenas responded that the program applies to individual market rates both on and off of the exchange.

An attendee asked about the income requirements for participating on the exchange and what happens if someone's income exceeds that amount for a few months. Mr. Cardenas responded that subsidies are available to those up to 500 percent of the federal poverty level. He noted that individuals are expected to report income changes to the exchange within 30 days. Income for the upcoming plan year is predicted at the time of application, and this information is reconciled at the end of the year when taxes are filed. Ms. Eberle clarified that individuals with any income level can purchase on the exchange, but individuals can only obtain tax credits through the exchange.

Todd Switzer, Chief Actuary of the MIA, thanked the attendees for their participation and offered some additional comments. He stated that this waiver affects about 200,000 people in Maryland. Noting that the press release in regard to carrier rate increases was released earlier in the week, he explained that the impact of the reinsurance program is multiplicative. Mr. Switzer provided the theoretical example of a 50 percent rate increase coupled with the 30 percent decrease from the reinsurance program. He explained that this does not mean that there will still be a 20 percent increase in rates. He added that, if the increase is 50 percent, you multiply 1.5 by 0.7, and the increase in rates would be 5 percent and not 20 percent. Mr. Switzer explained that the reinsurance program has a much more leveraged impact, and he added that if the waiver is passed, it will have more of an impact than you might think. He stated that the reinsurance program will be more of an impact than just subtracting 30 percent.

Mr. Switzer emphasized the importance of the waiver and explained that the \$365 million, over the full five years, gets leveraged up to \$970 million, which is why the initial modeling can be stretched to try to improve the profile and risk of the pool to stabilize rates. Mr. Switzer stated that there are still 360,000 uninsured in the state of Maryland, and about half of those people are eligible for a subsidy, whether it is Medicaid or a premium tax credit. He added that some of those uninsured people could get a free bronze plan, and economically speaking, people are making an irrational economic decision and leaving money on the table. Mr. Switzer expressed the hope that shining the light on this program will encourage people to take another look at insurance coverage.

An attendee noted that some of the literature she read stated that the waiver would limit the increase in premiums rather than decrease premiums. She asked if it is true that the waiver is supposed to decrease premiums, rather than just limit the increase in premiums. Mr. Switzer responded that a decrease in premiums is the hope, but there is no guarantee that it will happen. Mr. Cardenas added that the estimates provided are based on the data available currently, and a lot of it is projecting what will happen in 2019.

An attendee asked Mr. Switzer to explain the equation to determine the impact of the reinsurance program again. Mr. Switzer, using the example of a 50 percent overall increase, explained that you add 1 to the overall increase, which gives you 1.5, and then, with the reinsurance being a 30 percent decrease, you subtract the reinsurance percentage decrease from 1, which gives you 0.7. He continued by saying that when you multiply 1.5 by 0.7, you get 1.05. Mr. Switzer stated that whatever you get from that multiplying (1.05), you subtract 1, and that is what you can expect the impact of reinsurance to be. Mr. Cardenas added that every dollar magnifies its impact.

An attendee asked if any other states have applied for a Medicare waiver. Mr. Cardenas responded by clarifying that this is a 1332 waiver, which is for the Affordable Care Act, not necessarily Medicare. He note that a number of states have applied for 1332 waivers, and Minnesota, Oregon, and Alaska have been approved for reinsurance programs.

An attendee asked if there are any results from these other states. Mr. Cardenas responded yes and that the results have been promising. Mr. Cardenas provided Alaska's model as an example, stating that rates in Alaska were estimated to increase 40 percent, and rates only ended going up 7 percent. Mr. Cardenas added that Alaska is a unique example because Alaska is a small state with high costs. Mr. Cardenas also added that Oregon's and Minnesota's reinsurance programs have had downward impacts with lower rates of premium increases. Mr. Cardenas stated that the impact on each insurance company was also different because each company is different, and each company calculates their premiums differently. Mr. Switzer stated that Maryland is attempting to achieve the deepest discount that has been attempted so far. Mr. Switzer provided national context by adding that Minnesota attempted 20 percent and Oregon attempted 7 percent.

An attendee asked about the markets of the other states and if they only have two carriers like Maryland. Mr. Cardenas answered that Alaska has one, and Minnesota and Oregon have several participating insurance companies. An attendee asked if this waiver could entice other carriers to come to the market. Mr. Cardenas answered that nothing is more attractive to an insurance company than a state that is committed to making the markets work, and the MHBE believes that a reinsurance program creates a more favorable environment. Mr. Cardenas stated that both the MHBE and the MIA work constantly to entice new insurance companies into Maryland.

Public Testimony

Mr. Cardenas then invited any attendee who so desired to offer their testimony for the record. Two individuals offered testimony.

Lore Rosenthal, consumer, offered the following testimony:

"Hi, my name is Lore Rosenthal, and I may be the only person in this room who is actually on the Maryland health exchange. So, I guess I just wanted to share my personal story. I am sure the insurance carriers here have heard it before, and I am sure some of the panelists have heard it before. But, it is good to hear from a real person I think. So, I work three days a week. I am not a wealthy person, but I earn more than the cut-off, which is \$43,000, which is not a lot of money. This year, my premium, without any subsidy, is \$1,000, and at the time when my premiums went up from whatever they were last year to the \$1,000, there was not an increase in that cut-off of \$43,000. So, you would think if they were going to double your premiums, they would have said, 'Oh, now you can earn like \$53,000 and still get a subsidy.' Last year, with my old plan, my deductible was \$2,500, and believe it or not, you can use up the entire \$2,500 with one hospital stay. I happened to be in the hospital for a mental health reason, and it turns out my carrier did not cover inpatient mental health. So, I just blew through that money in five days.

This year, my deductible has gone up to \$3,500, and I am hoping that nothing is going to happen to me that I am actually going to blow through that money. You say that there is going to be a decrease of 30 percent, but so far the examples you have given is more that there was a decrease in the increase. So, I am very concerned that next year I may be paying \$1,100, and yippee, it is \$1,100 instead of \$1,400. People cannot afford, and I think you realize that, if you're not on this subsidy, you cannot continue to afford that. It would never occur to me to just drop out of the program. I feel fortunate. I am a self-employed person, so I can't go through a company. I feel fortunate to have insurance. For some people, it must be like 50 percent of their income. People are saying that housing costs are going up, and electricity costs are going up. For poor people, they are paying exorbitant amounts. I am sure this is all in the newspaper too, but people are just paying too much for insurance, and it shouldn't be that way. I hope that you get the waiver, but I hope that in this case that the waiver gives us a 30 percent decrease, so I would only be paying like \$700 a month instead of \$1,000. Thank you."

Michael Hartman, consumer, offered the following testimony:

"Hello, my name is Michael Hartman, and I am wondering if instead of a monetary amount for income, would it be possible to say that health costs should only be a percentage of your income? Let's say, 15 percent or whatever. Might that be a more fair way of looking at things and understanding that a person

earning \$10,000, if it's 10 percent then it's \$1,000. If you're earning \$20,000, it would be \$2,000. It seems to me that might be a fairer way of looking at things. We look at things like Ms. Rosenthal mentioned about housing costs and generally, what is thought to be a good percentage is 30 percent of your income for housing. Wouldn't it also be a good thing to put a percentage of your health care instead of a monetary amount? Thank you. "

Closing

Ms. Eberle thanked everyone who attended; she encouraged consumers to look closely at the plan options available and to download the mobile application, which provides GPS-located assistance. She also noted the helpline and Navigator program as sources of consumer assistance.

An attendee expressed gratitude to the MIA for exemplary service in interceding with an insurance company on her behalf. She also commended the navigators. Ms. Eberle thanked the attendee for her comments and closed the meeting.

Participants

Maryland Health Benefit Exchange

Michele Eberle, Executive Director
John-Pierre Cardenas, Director of Policy and Plan
Management
Kris Vallecillo, Senior Health Policy Analyst
Tony McCann, Member, Board of Trustees

Maryland Insurance Administration

Todd Switzer, Chief Actuary
Bob Morrow, Associate Commissioner
Joseph Fitzpatrick, Assistant Chief Examiner

Members of the Public

Robert Axelrod
Tinna Quigley
R. Aaron Aist
Evalyne B. Ward
Sue Ehlenberger
Angela Deal
Louise Hayman
Lore Rosenthal
Michael Hartman