

Section 1332 State Innovation Waiver – Maryland State Reinsurance Program

May 21, 2018



1332 Waiver – Public Comment Period

- The Maryland Health Benefit Exchange, alongside the Maryland Insurance Administration, held four public hearings to discuss the 1332 State Innovation Waiver and receive the public's questions and testimony.
- The public hearings were held in geographically-diverse locations to receive as much feedback as possible from the public: Talbot County Department of Parks and Recreations (4/26); Office of the Maryland Health Benefit Exchange (5/3); Frederick County Health Department (5/7); and the Charles County Health Department (5/10).
- In total, nearly seventy members of the public attended these hearings, many of whom also provided testimony. MHBE has also received written testimony from more than thirty respondents regarding the Section 1332 Waiver.
- The public comment period drew responses from a diverse group of people, including carriers, professional organizations, legislators, advocacy organizations, and consumers.

1332 Waiver – Frequently Asked Questions

- **Will the waiver impact out-of-pocket costs?** While the State Reinsurance Program (SRP) will exert downward pressure on premiums, it won't address out-of-pocket costs at point-of-service. This question raised concerns that while slow premium growth/premium reduction is a net positive, coverage options with high deductibles and limited first-dollar coverage continue to impose burden on consumers.
- **Will the waiver impact consumer choices?** The SRP won't directly impact consumer choice, though it will create a more favorable environment for new offerors to enter the market.
- **How much will the waiver lower premiums?** While the SRP will exert downward pressure on premiums, its exact impact is approximated. The actual degree of premium relief will be determined after the waiver is approved and the pass-through funding is granted.

1332 Waiver – Frequently Asked Questions

- **If the waiver is a short-term plan, what's the long-term plan?** The 1332 Waiver will supply premium relief for two years, based upon current funding availability. This will provide the Maryland General Assembly with time to create a long-term solution.
- **What will happen if the waiver is not approved?** If the waiver is not approved, further legislative action will be required to address the issue, possibly through a special session. However, it is important to note that while the SRP is contingent upon approval of the waiver application, the funding mechanism is not.

1332 Waiver – Public Comment Themes

Support of the State Initiative to Stabilize the Individual Market

- All written comment and spoken testimony received by MHBE during the public comment period expressed universal support to establish the SRP.

Equal Impact on Consumers

- Several stakeholder groups request that the SRP be structured so that premium relief is experienced by the greatest number of consumers. These stakeholders caution that a reinsurance program with payments that tilt heavily towards issuers with less managed provider networks and utilization controls may be viewed as a disincentive for new market entrants.

Amend the 1332 Waiver Application Language

- Kaiser Permanente, MedChi, and the Maryland Hospital Association request that their concerns regarding duplicative payments and incentives to manage care of high-risk enrollees be addressed through amending the language of the 1332 Waiver Application. These respondents request that the state indicate its intent to account for duplicative payments in the final application.

1332 Waiver – Public Comment Themes

Coordination with the Federal Risk Adjustment Program

- Many stakeholders have expressed concern over potential issuer payments under the SRP and the federal Risk Adjustment program that would be duplicative of the same risk.
- CareFirst cautions against such an approach stating that, at the federal level, the programs were intended to address different issues:
 - Risk adjustment program is intended to equalize the risk burden borne by any single issuer.
 - Reinsurance program was designed to mitigate the costs of a “very small percentage of high cost enrollees in order to reduce premiums for all.”
- CareFirst also cautions that any action to coordinate payments between risk adjustment and reinsurance might impact approval of the waiver application.
- Both CareFirst and Kaiser Permanente request that Wakely conduct a study to determine the degree of overlap between the two programs, if any.

1332 Waiver – Public Comment Themes

Establishing a State Reinsurance Program That Will Attract New Entrants

- Kaiser Permanente, MedChi & affiliates, and Consumer Health First have expressed that the SRP could be leveraged to create a market environment that is favorable for new entrants. They caution, however, that the program should not be constructed in a manner that would support certain care delivery models over others.

Incentives for Utilization/Care Management and Quality Improvement

- Stakeholders have expressed that the SRP should be explored as a tool to increase quality and reward effective utilization/care management.
- Respondents suggest that the SRP could be used to further the goals of other state initiatives, such as the All-Payer Model and the Medicare Waiver.

1332 Waiver – Public Comment Themes – Not Specific to Waiver

Participation in CRISP (Maryland's Health Information Exchange)

- MedChi and its affiliates uniformly support that the SRP should require robust issuer participation in CRISP.

Stand-Alone Dental Plans (SADPs)

- The Alliance of Dental Plans, while in support of the waiver, has requested that the state explore potential mechanisms for how the SRP could benefit SADPs.

Expansion of Public Programs

- Some respondents expressed support for the expansion of public programs as a long-term solution for individual market stability. While this support was expressed through different recommendations, they follow a common theme regarding the desire to expand the role of public programs in reducing cost of care.

Reduction in Out-of-Pocket Costs

- Stakeholders have expressed that the state should do what it can to reduce out-of-pocket costs. Stakeholders expressed concern over the expensive out-of-pocket costs paid at the point of service.

1332 Waiver – MHBE Staff Recommendation

Vote to adopt the MHBE Board Resolution on *BOARD OF TRUSTEES ACTION ON PUBLIC COMMENT AND TESTIMONY ON THE 1332 STATE INNOVATION WAIVER APPLICATION*

Adoption requires that:

1. The MHBE Board of Trustees will take regulatory action based on the results of the study being performed by Wakely Consulting Group on potential duplicative payments under the State Reinsurance Program and the Federal Risk Adjustment Program; and
2. The MHBE Board of Trustees approve MHBE to submit a State Innovation Waiver application, to the U.S. Secretary of Health and Human Services and the U.S. Secretary of the Treasury, for a State Reinsurance Program that may include financial incentives for issuers to manage high risk and high cost enrollees after active engagement with stakeholders in regulatory action.

1332 Waiver – Timeline

Next Steps:

- May 22, 2018 – Add updated Wakely actuarial and economic analysis to 1332 Waiver Application.
- May 22, 2018 – Add resolution requirements adopted May 21, 2018, to the 1332 Waiver Application.
- May 24, 2018 – Send final waiver application to Board of Trustees and Administration for review.
- May 31, 2018 – Submit final 1332 Waiver Application to U.S. Departments of Health and Human Services and the Treasury.
- June 30, 2018 – Wakely analysis on risk adjustment/reinsurance completed.