



# MHBE Individual Subsidy Work Group Meeting

October 15, 2020  
10AM-11AM  
Location: Google Meets

## **Members Present:**

Matt Celentano  
Joshua Morris  
Allison Mangiaracino  
Brad Boban  
Robert Metz  
Jay Hutchins  
Ken Brannan  
Stephanie Klapper  
Beth Sammis  
Salliann Alborn  
Jacqueline Roche

## **Others in attendance:**

Katie Marcellus  
Michele Eberle  
Elvina Morris  
Johanna Fabian-Marks  
Varun Palle  
Tanya Zimmerman  
Jessica Grau

## **Welcome/Agenda/Update on Co-Chair and Charter Vote**

Beth and Ken welcomed everyone to the workgroup as the new co-chairs.

10 out of the 11 members voted for the charter, and 9 out of the 11 members voted for Ken and Beth as the co-chairs.

## **California State Subsidy**

Program began in 2020. Legislative work started in 2019, which included a three-year state advanced premium subsidy and implemented a state mandate penalty

While the legislation identified the amount of funding available for the new program and the share of the funding that is meant to go to those above and below 400% of FPL, the legislation delegated authority to Covered California's Board to set the exact eligibility requirements for the new subsidies.

For the 2020 program year, Covered California adopted a program design regulation that included key program design elements, including the eligibility definitions for the program, the “required contribution” curve that determines the benefit amounts under the program, and the caps on reconciliation of state subsidies upon filing of final tax returns with the California Franchise Tax Board.

**Figure 1: Required Contribution for Benchmark Silver Plan as a Percentage of Income Under ACA and California State Subsidy Program**



With the enrollment experience from 2020, Covered CA estimated that if maintained through 2022, this program design would have a cumulative cost of \$938 million.

Note that they still anticipate enrollment growth in the 400 to 600% FPL group that are receiving state subsidies for 2021.

Ken - Where did the funding come from?

Answer - The revenue from the penalty pays for the subsidy program, which was projected to be around 9million, and the legislature added additional money as well.

Beth - Does California have a reinsurance program?

Answer – No, we looked at a variety of options, but the desire to have direct assistance to consumers, and to not have to pursue the waiver drove us towards the subsidy route.

Matt - How do you explain the lack luster enrollment in the program, and was there marketing around the program?

Answer – Marketing for the program was included in the broad marketing campaign. Had an early calculator created for the navigators in the beginning. More targeted roll over strategies from off-exchange to on-exchange.

Rob – Was a new field added on the enrollment file to segregate the funds? And what was the implementation timeline?

Answer – We added a line to the 834. Worked closely with the carriers through a weekly work group to help with joint design sessions. Testing began in July, and applied the federal structure to the grace period to mirror the federal structure.

Beth – Are there penalties for producers for not telling individuals about the subsidy. Aren't the agents focused more on the 400+ market?

Answer – No penalties. The working assumption was that we would work together to target the appropriate consumers

Beth - Do you have breakouts of on and off exchange?

Answer – Can follow up. With breakout as income as well.

Michele – With the 138-400% population, were you able to see any new enrollees?

Answer – We did see some higher enrollment. Because we paired the penalty with the subsidy, and we're not sure which was driven by which.

Joshua – With the 400-600% level group, which may be older, what were their trade-offs?

Answer – Working with a survey team now to gauge the trade-offs. Were able to survey on-exchange members and will have results soon. Focused on consumer stories.

### Reinsurance background

The individual market faced significant premium increases in 2016-2018 (>18% each year) and declining enrollment.

In 2018, the General Assembly passed, and the Governor signed:

- HB 1795 to establish the SRP and require MHBE to apply for a State Innovation Waiver under section 1332 of the ACA to receive federal funds to defray the cost of the program
- SB 387 to place 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 of 2017 waived this fee for 2018.

MHBE applied for a 1332 waiver to implement a reinsurance program to reduce premiums by approximately 30% compared to what they would be absent the waiver. CMS approved the application in August 2018.

In 2019, HB 258/SB 239 was passed to assess a 1% fee to fund the SRP from 2020-2023. In 2020, the U.S. Congress enacted the Further Consolidated Appropriations Act, which repealed the 9010 fee for calendar years beginning after December 31, 2020.

SB 124 / HB 196 initially directed the MHBE Board to “allocate the funds collected under this section between the state reinsurance program and the state-based health insurance subsidies program in a manner that maximizes the long-term affordability of health plans in the individual market.”

SB 124 was modified to instead require MHBE submit a report, due 12/1, on the potential design, impact, and implementation of a state subsidy program

Legislation Authorizing and Appropriating Funds to the reinsurance program. The MHBE must ensure sufficient funds, on an annual or other appropriate basis, for the reinsurance program to operate as described in the MHBE's waiver application.

Pass-through Funding. The MHBE will be entitled to funding based on the amount of premium tax credits that would have been provided to individuals in the State of Maryland absent the waiver, but that will not be provided under the waiver.

The MHBE agrees to use the full amount of pass-through funding for purposes of implementing the MHBE's plan as approved by the Departments, including implementing the reinsurance program for 2019 and future years.

To the extent pass-through funding exceeds the amount necessary for program, remaining funds must be carried forward and used for purposes of implementing the MHBE's plan under the waiver, such as making reinsurance payments in the next calendar year.

Johanna then discussed the program parameters and results of the program, which has shown a drop in premiums over the last three years. The total cost of the 2019 reinsurance program was about \$353M, about \$17M below projections. The federal pass-through funding received for 2019 will be sufficient to cover the full cost of the program for that year.

Rob – What was the 2018 enrollment before the reinsurance program?

Answer – Did not see a huge change between 2018 and 2019. There was a slight decline, but in previous years there had been double digit declines, so the reinsurance program mainly halted the decline.

Rob – When do we get the 2020 funding amount?

Answer – Estimated dollar amount on January, and then the final amount in May.

Beth – How much money is in the account for the State, and what guardrails are there to protect the money, and in terms of enrollment, do we know income levels of those who we gained in enrollment?

Answer – We have about 444M in State Funding. Both the federal and state funding are in dedicated accounts for the reinsurance program. In terms of the income of those who joined, MIA does have the filing data.

Sally – What are the left-over funds for 2019?

Answer – We have 20M in federal funding left over rolling over to 2020. And the 2019 amount is also rolling over to 2020 from the State. But we won't know the true costs until reconciliation takes place.

Sally – Are we concerned about the funding being reduced?

Answer – A new carrier joining the market will reduce the funding, because of reduced premiums.

Beth – The rollover funding from the federal government must be used for reinsurance, correct?

Answer – Correct. The waiver would have to be amended otherwise.

Matt – So would you have to apply for an amendment or a whole new waiver?

Answer - It would depend on the request. CMS isn't entirely clear.

Sally - And the request would have to go to the board?

Answer - Yes, as well as the legislature, possibly.

## Affordability in Healthcare and Frameworks for Evaluating Subsidy Designs

Johanna discussed how others define affordability. In terms of approaches to affordability thinking, there are two realms including the budget-based definition and the behavioral definition.

According to the ACA standards:

- Employer-sponsored insurance is considered affordable if the employee contribution for individual coverage is no more than 9.83% of household income
- Limits out-of-pocket costs (not including premiums) to \$8,550 per individual and \$17,100 per family for covered services
- Sets reduced premiums for individuals earning less than 400% of the federal poverty level

Household income as percent of FPL	APTC Required Contributions		CA Req'd Contributions		MA Req'd Contributions	VT Req'd Contributions	
	Initial percentage	Final percentage	Initial percentage	Final percentage	Percentage	Initial percentage	Final percentage
< 138%	2.07%	2.07%	0.00%	0.00%	0.00%		
138% to <150%	3.10%	4.14%	same as ACA	same as ACA	0.00%	1.60%	2.64%
150% to <200%	4.14%	6.52%	same as ACA	same as ACA	2.90-4.30%	2.64%	5.02%
200% to <250%	6.52%	8.33%	6.24%	7.80%	4.20-6.20%	5.02%	6.83%
250% to <300%	8.33%	9.83%	7.80%	8.90%	5.00-7.40%	6.83%	8.33%
300% to 400%	9.83%	9.83%	8.90%	9.68%	same as ACA	same as ACA	same as ACA
400% to 450%	n/a	n/a	9.68%	14.00%	n/a	n/a	n/a
450% to 500%	n/a	n/a	14.00%	16.00%	n/a	n/a	n/a
500% to 600%	n/a	n/a	16.00%	18.00%	n/a	n/a	n/a

Stephanie-Is there research on how affordability is affected from a racial and equity perspective, especially in the 18-34 population?

Answer - Will look and see what we can present on.

Sally - Is there a cost of living factored into the numbers?

Answer - The ACA incrementally increases each year, and the state standards increase each year as well, and increase as the FPL changes.

## Adjournment

Meeting was adjourned at 11:03AM