

# 1332 Reinsurance Waiver Extension Application Public Hearing

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February 15, 2023

# Public Forum Agenda

- Introduction
- SRP Overview
- 1332 Waiver Extension Application Overview
- Public Testimony Period

\*Note: If you wish to testify during the public comment period, please sign up on the Google Form in the comment section

# State Reinsurance Program Overview

# History

- **2014: ACA market reforms** went into effect, including no pre-existing condition exclusions, rates not based on health status
- **2014-2018: Individual market rates increased** by double digits each year; enrollment declined significantly
- **2019: Reinsurance program implemented** to stabilize the individual market
- **2019-2023: Rates down more than 25%** compared to 2018, enrollment rebounded

Plan Year	Avg. Individual Premium Change
2014	n/a
2015	10%
2016	18%
2017	21%
2018	28%
Reinsurance Starts	
2019	-13%
2020	-10%
2021	-12%
2022	2.1%
2023	6.6%

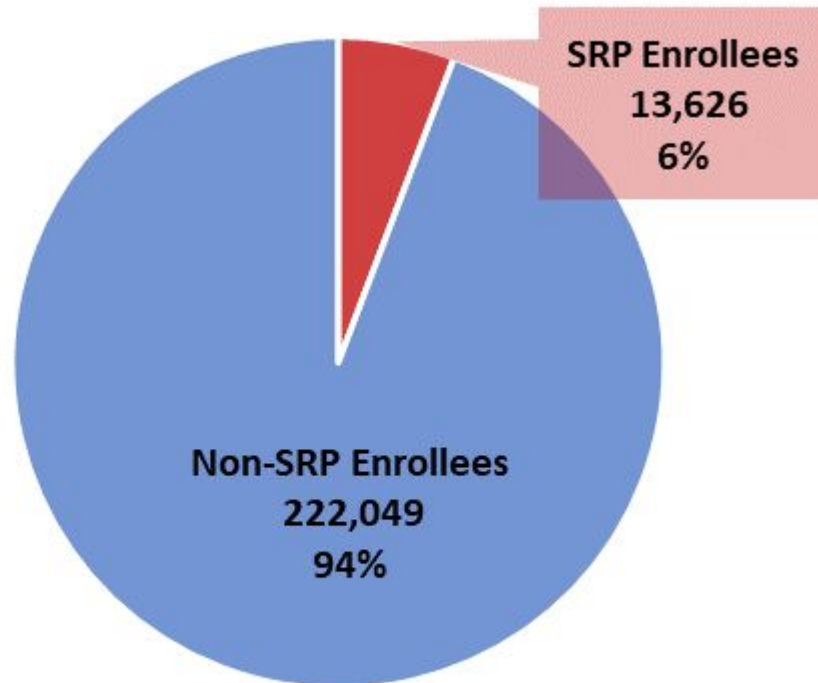
# How Does Reinsurance Work?

- Reinsurance reimburses insurers for a portion of their claims costs. Lower costs allow carriers to charge lower premiums.
- The MHBE Board sets the parameters for the reinsurance program.

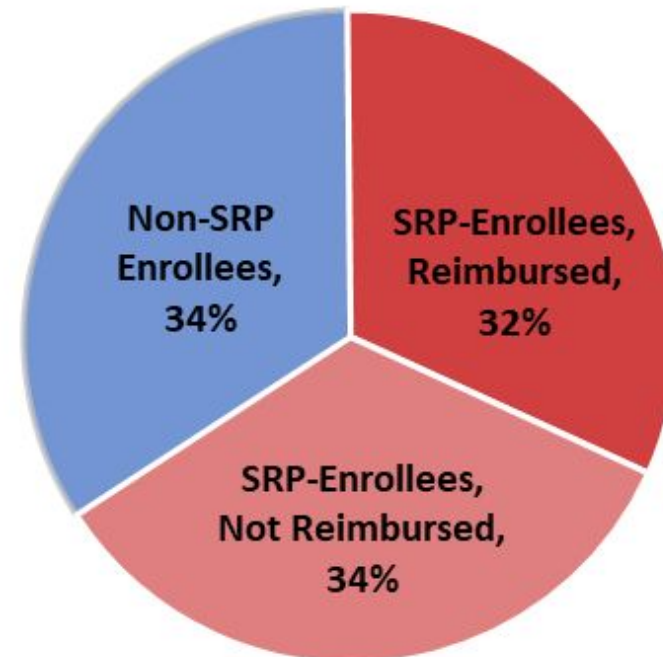
Parameters	2019-2022	2023
Attachment Point	\$20,000	\$18,500
Coinsurance Rate	80%	80%
Cap	\$250,000	\$250,000
Dampening Factor	.760-.805	.840

# How Does Reinsurance Work?

**2021 Total Average  
Individual Market Enrollment**

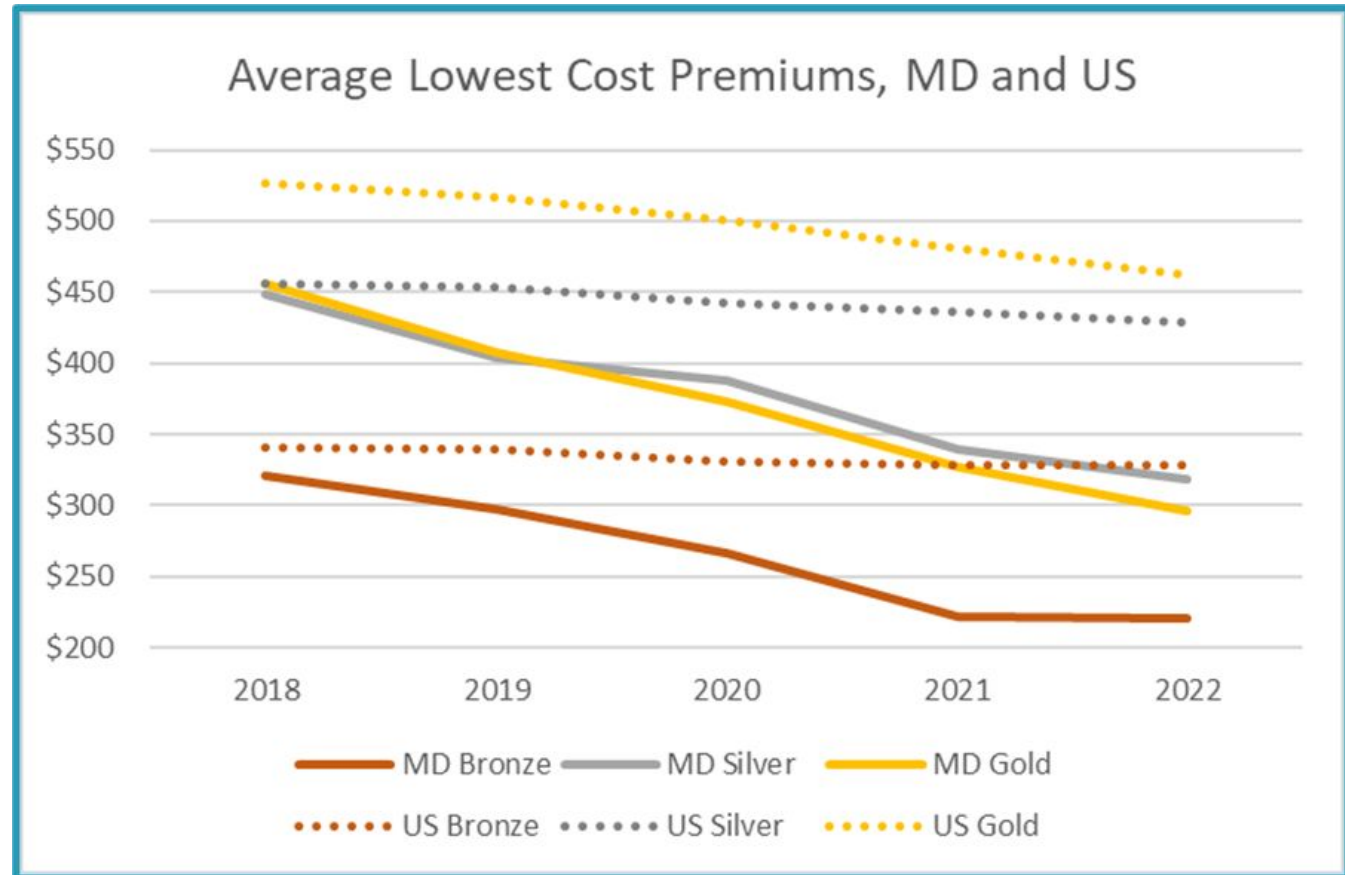


**2021 Total Paid Claims: \$1.45B  
SRP Paid Claims: \$468M**



# Reinsurance Program Impact: Premiums Successfully Reduced

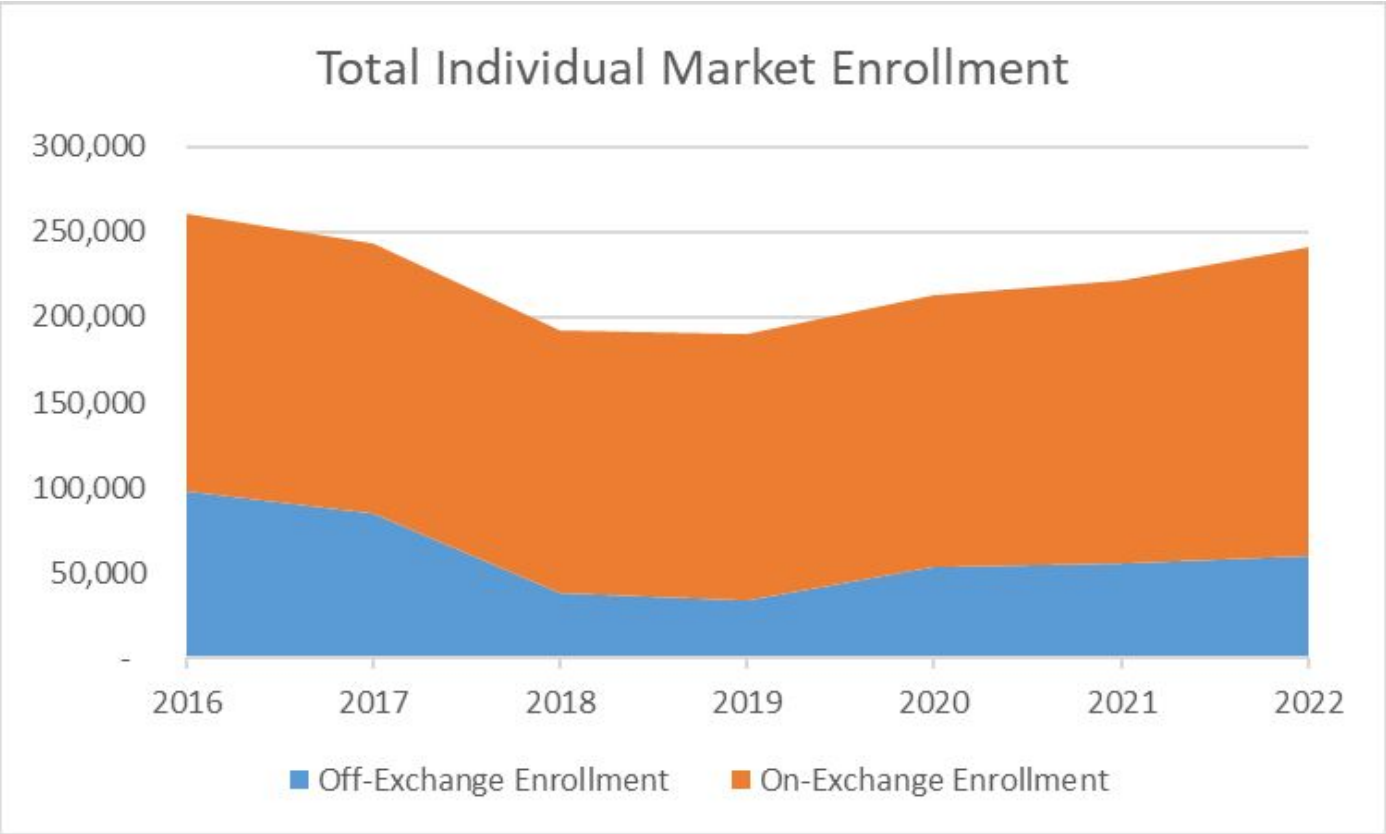
- Premiums are down more than 25% compared to 2018.
- Maryland's lowest cost plans are about 25-30% below US averages



# Reinsurance Program Impact: Enrollment Continues to Rise

Between June 2019 and June 2022:

- On-exchange enrollment is up 25%
- Total individual market enrollment (on- and off-exchange) is up 22%.



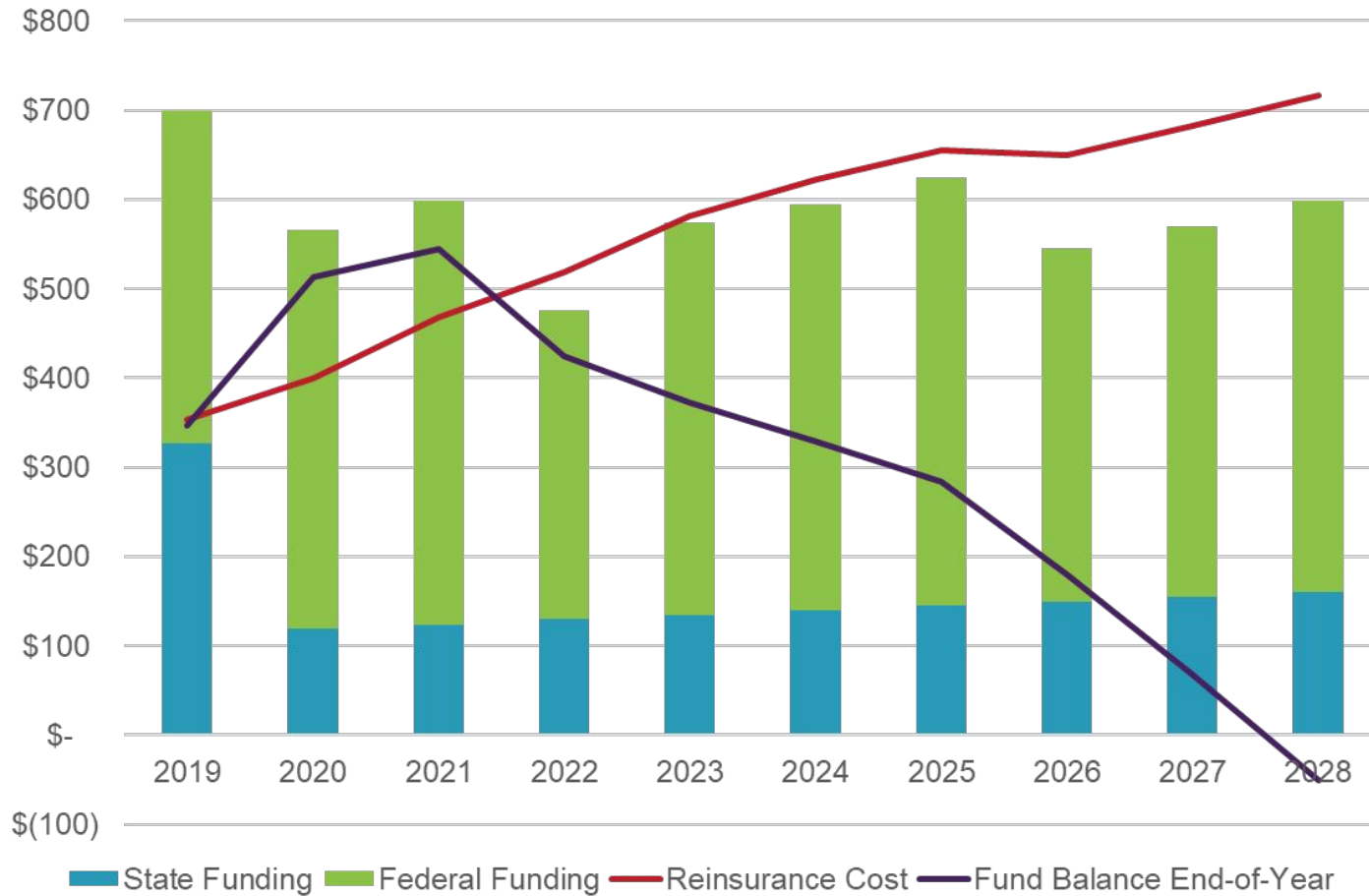
Total market enrollment data from MIA, data as of 3/31 for 2016, 2017, and 2022, as of 6/30 for 2018, 2020, and 2021, and as of 7/31 for 2019. On-exchange data from MHBE as of the end of open enrollment for each plan year. Off-exchange enrollment calculated as total enrollment minus on-exchange enrollment.



# Reinsurance Funding

- **Reinsurance is funded with state and federal dollars**
- State funding comes from the **state health insurance provider fee**, a state assessment on health insurance premiums that replaced a 2.75% federal assessment suspended in 2019 and repealed in 2020
  - 2019: 2.75% state assessment
  - **2020-2028: 1% state assessment**
- **Federal funding** comes from our “1332 waiver” from the federal government
  - The federal government subsidizes individual market premiums so that enrollees’ premium costs are capped at 0-8.5% of income for a benchmark plan
  - ACA Section 1332 allows states to waive certain ACA provisions; if the waiver reduces federal costs to subsidize premiums, those savings are passed to the state
  - By reducing premium costs through reinsurance, we reduce federal subsidies and recoup “pass-through” savings under the waiver

# Reinsurance Cost and Funding Projections Through 2028



- Reflected in end-of-year balance, but not otherwise shown: **\$219M removed from state SRP fund for other programs** across FY21-25, and est. \$30M used for Young Adult Subsidy.
- Projections assume attachment point increases by \$500 each year starting in 2024 through 2028; enhanced federal subsidies end in 2025.

The background is a solid teal color. In the center, there is a stylized graphic of a flower or a four-petaled shape, composed of four overlapping, semi-transparent teal circles that meet at the center. The text is centered over this graphic.

# 1332 Waiver Extension Application Overview

# Application Contents

1. Extension Request
2. Program Outcomes
3. Updated Economic or Actuarial Analysis for Extension Period
4. Evidence of Sufficient Authority Under State Law
5. Public Input

Appendix A: Lewis & Ellis Actuarial and Economic Analysis for Continuation of Maryland's 1332 Waiver

Appendix B: MHBE 1332 Waiver Extension Application Public Hearing Presentation

Appendix C: Written Comments Received During Public Comment Period

# Extension Request

- 5 year waiver extension (2024-2028)
- No substantive changes to the waiver conditions

# Program Outcomes: First Waiver Period

Maryland has maintained compliance with the 1332 guardrails during the first waiver period:

1332 Waiver Guardrail	Estimated Waiver Impact
Comprehensiveness: Provide coverage that is at least as comprehensive as the coverage provided without the waiver	No impact
Affordability: Provide coverage and cost-sharing protections against excessive out-of-pocket spending that are at least as affordable as without the waiver	Premiums reduced >30% in 2019-2023
Coverage: Provide coverage to at least a comparable number of residents as without the waiver	Increased enrollment by 6.4% per year, new insurer joined the market in 2021
Federal Deficit: No increase to the federal deficit	5-year federal saving of \$2.1B (expected to be passed through to MD)

<sup>6</sup>All federal savings from the Waiver are expected to be passed-through to Maryland.

# Program Outcomes: Comparison to Other States

**Exhibit 5 – Impact of 1332 Waiver Versus Non-Waiver States**

	Premium Change 2018 - 2023		Individual Market Enrollment Change 2018 - 2021	
	Dollars	Percent	Member Months	Percent
Maryland	-\$151	-31%	344,617	15%
Comparison Group Average	\$11	2%	89,646	3%

**Exhibit 6 – Impact of Maryland’s 1332 Waiver Versus other 1332 Waivers**

	Premium Change 2018 - 2023		Individual Market Enrollment Change 2018 - 2021	
	Dollars	Percent	Member Months	Percent
Maryland	-\$151	-31%	344,617	15%
Comparison Group Average	-\$60	-13%	126,999	8%

# Program Outcomes: Second Waiver Period

Maryland anticipates continued compliance with the Section 1332 guardrails in the second waiver period.

1332 Waiver Guardrail	Estimated Waiver Impact
Comprehensiveness: Provide coverage that is at least as comprehensive as the coverage provided without the waiver	No impact
Affordability: Provide coverage and cost-sharing protections against excessive out-of-pocket spending that are at least as affordable as without the waiver	Premium reduction of 34% compared to a scenario without reinsurance
Coverage: Provide coverage to at least a comparable number of residents as without the waiver	Increase enrollment by 6.4%
Federal Deficit: No increase to the federal deficit	5-year federal saving of \$2.2B (expected to be passed through to MD)



# Waiver Extension Timeline

- As required, MHBE submitted a **letter of intent** at least one year prior to the waiver’s end date (in December 2022). CMS responded to the letter of intent, inviting a full application.
- The section 1332 waiver extension request should be submitted **within the first quarter of the year** leading up to the initial waiver’s end date. The federal government will approve or deny the extension request **within 90 days** of receipt.

<b>COMPLETED ACTIVITIES FOR 1332 WAIVER EXTENSION REQUEST</b>	
Fall 2022	MHBE staff draft letter of intent
November 2022	MHBE Board authorizes MHBE to submit letter of intent to the federal government
December 2022	MHBE submits letter of intent to the federal government
February 2023	Written Public Comment Period: February 7 - March 7 Public Hearing on 2/15/23
<b>REMAINING ACTIVITIES FOR 1332 WAIVER EXTENSION REQUEST</b>	
February 2023	MHBE submits waiver application to the federal government
March-June 2023	MHBE works with CMS to get application approved
January 1, 2024	New 5-year waiver period begins



# Public Comment

# Appendix



# Appendix: Summary Data, 2014-2023

Sources: MHBE Annual Reports, MHBE Plan Management, MIA Rate Decisions, Carrier Rate Justifications. Data as of the end of open enrollment preceding each benefit year

Benefit Year	Participating carriers (#)	QHPs Offered (#)	Enrollment	Subsidized/ Unsubsidized (%)	Premium Change (%)	Rate Justification
2014	4	45	81,553	80/20	-	-
2015	5	53	131,974	70/30	10%	Sicker/Older Pool   MHIP Migration   Increased unit cost of care   Increased utilization   Health Insurer Fee
2016	5	53	162,652	70/30	18%	Actual claims experience higher than 2015 rates   Pent-up demand in formerly uninsured entrants   Risk Adjustment payments   Increased cost and utilization trends   Reduction in reinsurance payments
2017	3	23	157,637	78/22	21%	Increased unit cost of care, claims, morbidity of pool   Cessation of the reinsurance program
2018	2	21	153,571	79/21	50%	New members entering risk pool   Current members terminating coverage   Increased churn and trend   Loss of CSR   Individual mandate enforcement not included in rate
2019	2	20	156,963	77/23	-13%	Introduction of the State Reinsurance Program   Medical inflation   Removal of the Individual Mandate
2020	2	23	158,934	76/24	-10%	Ongoing effectiveness of reinsurance program   Trend
2021	3	33	166,038	73/27	-12%	Reinsurance program   New market entrants
2022	3	33	181,206	79/21	2%	Reinsurance program   Trend   Enhanced federal subsidies
2023	3	35	182,166	76/24	6.6%	Reinsurance program   Trend   Enhanced federal subsidies

**Exhibit 8 – Projected 2024-2028 Waiver Extension Results**

	2024	2025	2026	2027	2028
<b>Baseline (No Reinsurance)</b>					
Total Non-Group Enrollment	244,355	245,552	214,087	215,136	216,192
APTC Enrollment	185,059	185,977	135,396	136,060	136,886
Total Non-Group Premium PMPM	\$723	\$764	\$794	\$839	\$886
APTC PMPM	\$597	\$629	\$689	\$724	\$761
Total APTCs	\$1,326,401,092	\$1,404,025,842	\$1,118,821,729	\$1,182,361,723	\$1,249,417,583
<b>After Reinsurance</b>					
Reinsurance Cost	\$622,958,130	\$654,827,842	\$649,626,552	\$682,762,510	\$717,225,570
Increase in SLCSPPremium without Reinsurance	49%	49%	50%	50%	50%
Total Non-Group Premium PMPM	\$477	\$504	\$523	\$552	\$584
APTC PMPM	\$392	\$413	\$428	\$452	\$473
Change in Total Non-Group Enrollment	6.4%	6.4%	6.4%	6.4%	6.4%
Total Non-Group Enrollment	259,952	261,226	227,752	228,869	229,992
APTC Enrollment	175,086	175,957	132,338	132,987	134,776
Total APTCs	\$822,911,692	\$871,510,731	\$680,414,473	\$721,285,551	\$764,508,258
Estimated Federal Pass Through	\$453,651,623	\$479,804,231	\$395,011,619	\$415,436,658	\$436,910,692



# Reinsurance Parameters

# SRP Parameters - Regulatory Requirements

## COMAR 14.35.17.04

B. Each year the Board shall set the payment parameters for the State Reinsurance Program by determining the following factors:

(1) An attachment point;

(2) A coinsurance rate;

(3) A reinsurance cap; and

(4) A market-level dampening factor provided by the Commissioner, if determined necessary by the Board.

**C. For each benefit year after 2019, the Board shall set the estimated payment parameters for the State Reinsurance Program on or before April 1 of the calendar year preceding the applicable plan year.**

D. For each benefit year after 2019, the Board shall set the final payment parameters for the State Reinsurance Program before December 31 of the calendar year preceding the applicable plan year.

# SRP Parameters During First Waiver Period

Parameters	2019-2022	2023
Attachment Point	\$20,000	\$18,500
Coinsurance Rate	80%	80%
Cap	\$250,000	\$250,000
Dampening Factor	.760-.805	.840



# SRP Parameters: Summary of Key Dates in 2023

1. **Feb. 21:** Board sets estimated 2024 reinsurance parameters to inform rate filings due May 22, 2023
1. **February-March:** 30-day public comment period on estimated reinsurance parameters, excluding dampening factor
1. **May:** Carriers submit 2022 and emerging 2023 claims data; MHBE and MIA analyze in May and June to recommend final 2024 reinsurance parameters
4. **July:** Board sets final 2024 reinsurance parameters