

# 1332 Waiver Amendment Application Public Hearing

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June 18, 2024

MHBE Policy Department



This meeting will be recorded

# Public Hearing Agenda

- Introduction
- Reinsurance Program Overview
- 1332 Waiver Amendment 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
- **2019-2024: Rates down more than 20%** compared to 2018; enrollment rebounded

Plan Year	Avg. Individual Premium Change
2015	10%
2016	18%
2017	21%
2018	28%
Reinsurance Starts	
<b>2019</b>	<b>-13%</b>
<b>2020</b>	<b>-10%</b>
<b>2021</b>	<b>-12%</b>
<b>2022</b>	<b>2.1%</b>
<b>2023</b>	<b>6.6%</b>
<b>2024</b>	<b>4.7%</b>

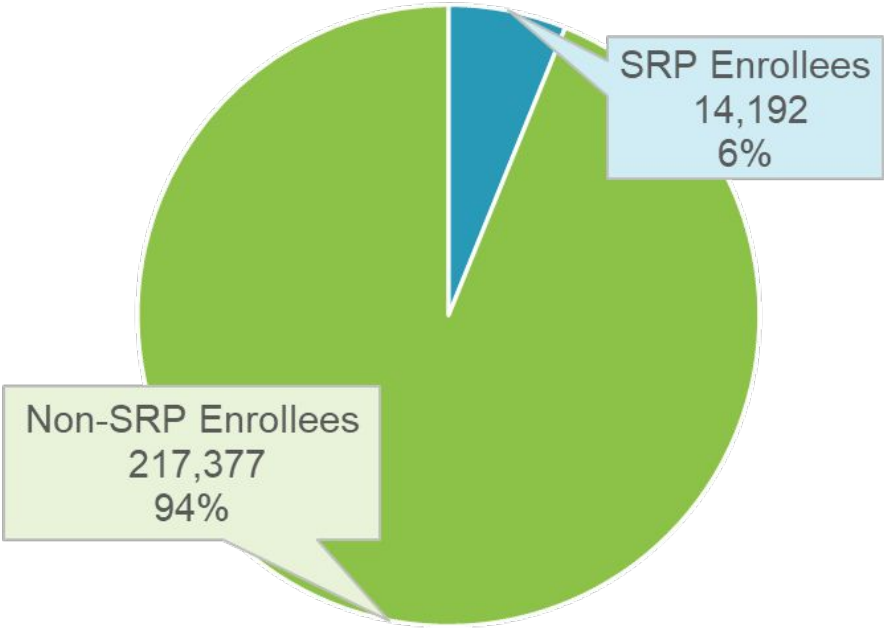
# How Does Reinsurance Work?

- 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.

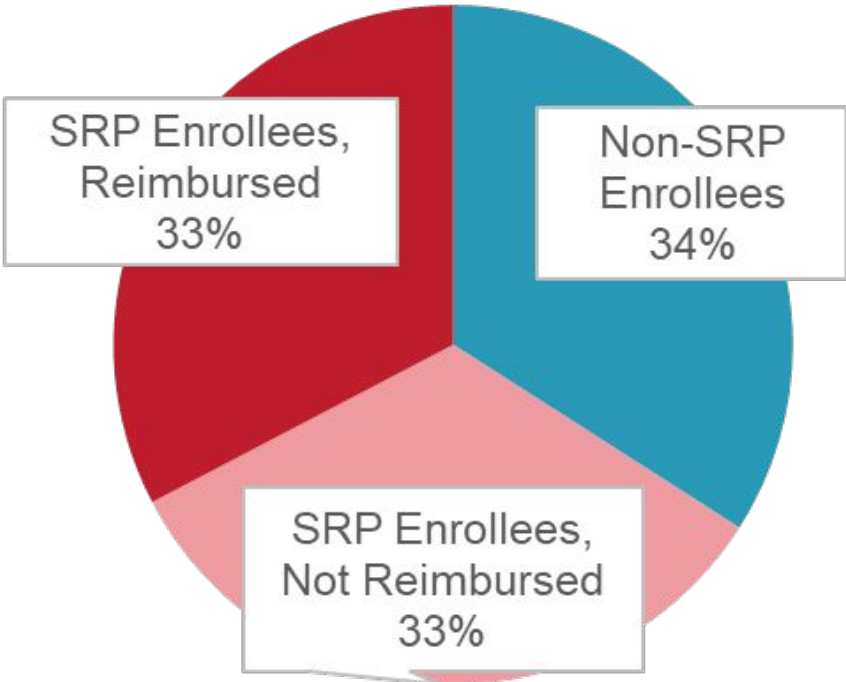
Parameters	2019 - 2022	2023	2024	Estimated 2025
Attachment Point	\$20,000	\$18,500	\$20,000	\$21,000
Coinsurance Rate	80%	80%	80%	80%
Cap	\$250,000	\$250,000	\$250,000	\$250,000
Dampening Factor	.760 - .805	.840	.850	Yes

# What is the Reinsurance Program's Scope?

**2022 Total Average Individual Market Enrollment**

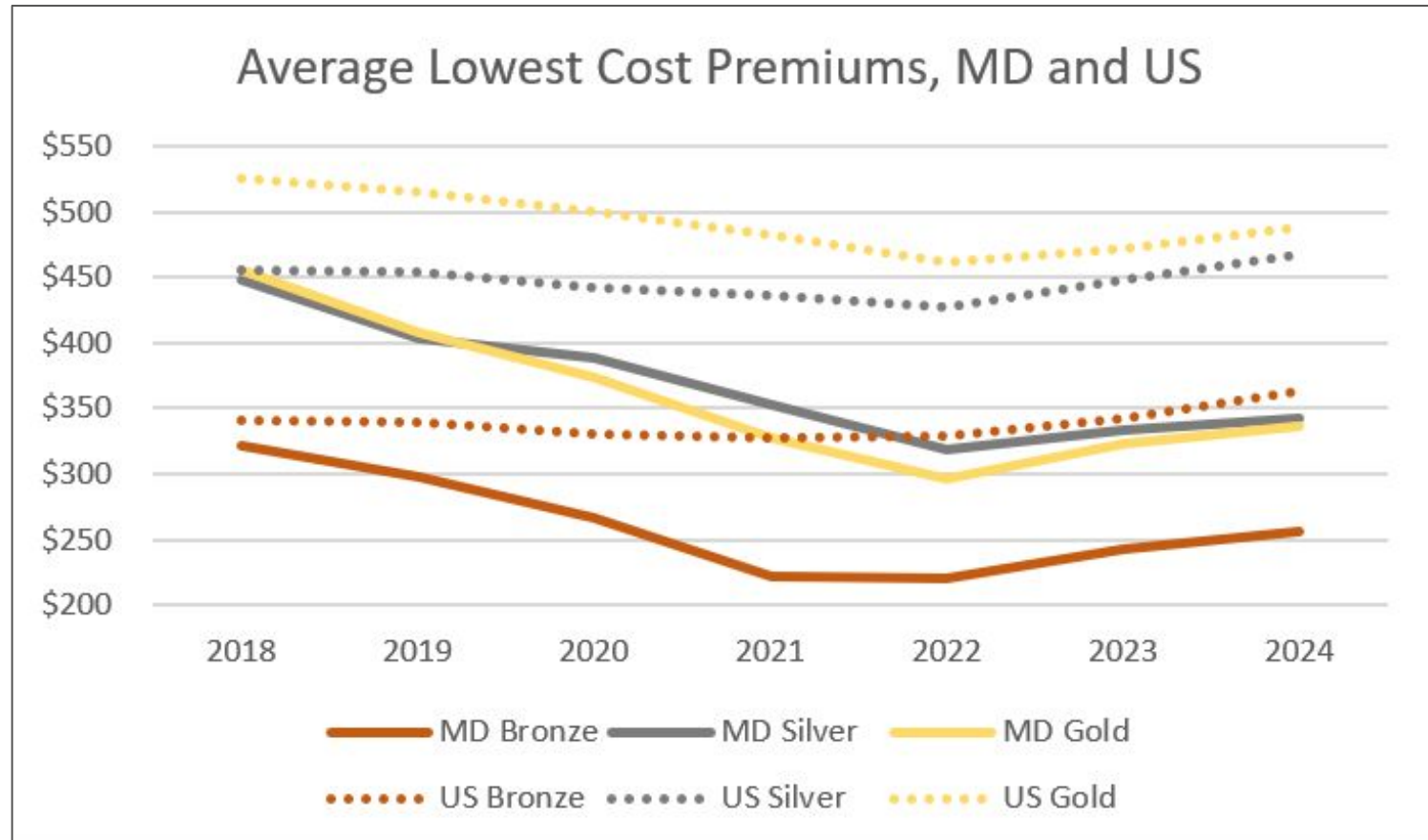


**2022 Total Paid Claims: \$1.48B  
SRP Paid Claims: \$485M**



# Reinsurance Program Impact: Premiums Successfully Reduced

- Premiums are down more than 20% compared to 2018.
- Maryland's lowest cost plans are about 25-30% below US averages



Data source: Kaiser Family Foundation:

<https://www.kff.org/health-reform/state-indicator/average-marketplace-premiums-by-metal-tier>

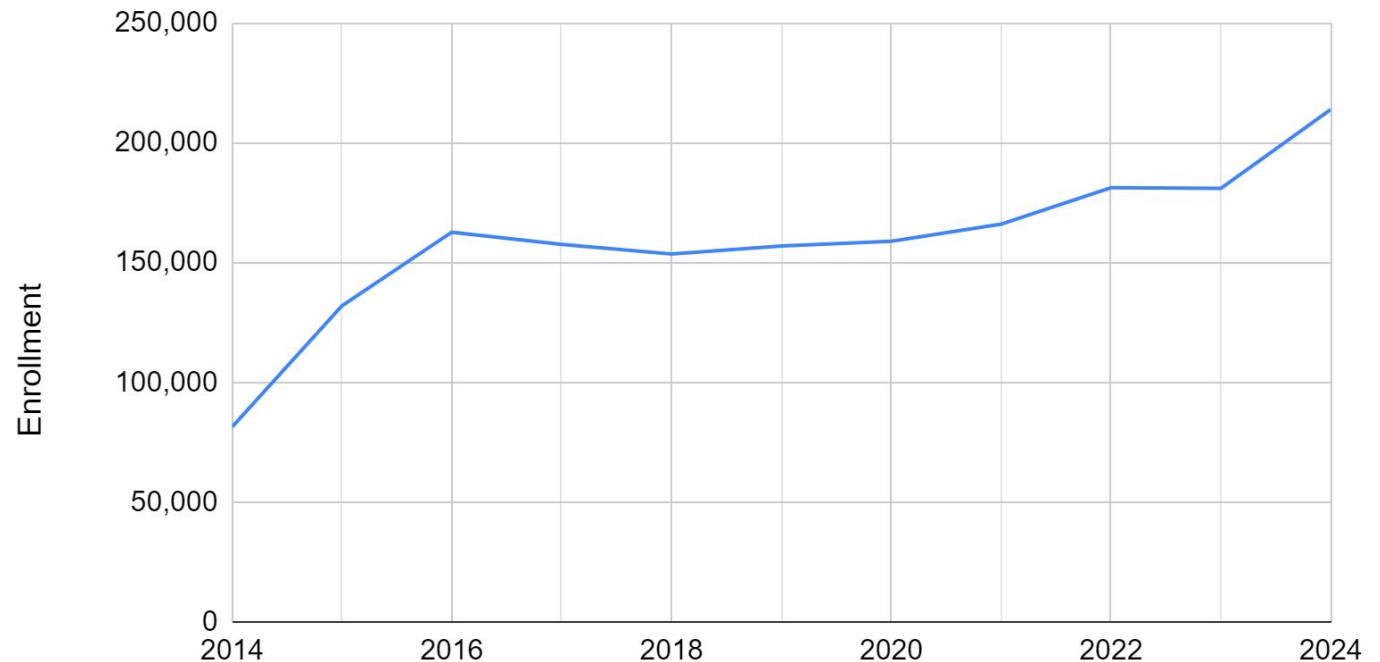


# Enrollment Continues to Rise

Between 2019 and 2024:

- On-Exchange enrollment is up 36%
- Total individual market enrollment (on- and off-Exchange) is up 32.8%

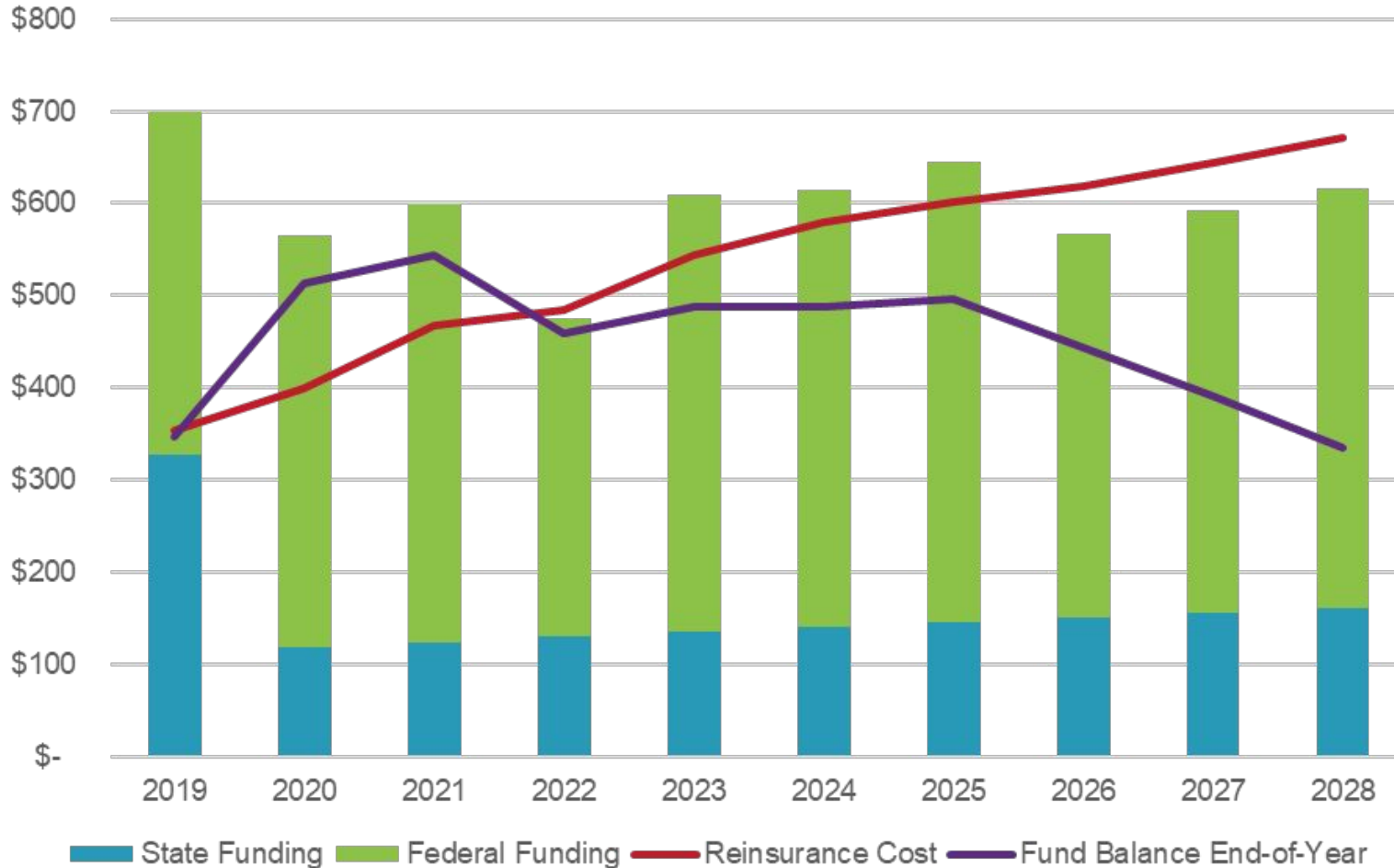
On-Exchange Enrollment, 2014 - 2024



# 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 (as of July 2023)



- Projections assume attachment point increases by \$1000 annually starting in 2025; enhanced federal subsidies end in 2025.
- Reflected in end-of-year balance, but not otherwise shown: \$219M removed from state SRP fund for other programs across FY21-25, and est. \$68M for Young Adult Subsidy across FY22-26.

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# Waiver Amendment Application

# Application Contents

Section 1: Description of Request

Section 2: Public Notice and Comment Process

Section 3: Evidence of Sufficient Authority Under State Law

Section 4: Implementation Plan

Section 5: Impact on Section 1332 Guardrails

A. Comprehensiveness

B. Affordability

C. Coverage

D. Federal Deficit

Section 6: Estimated Impact on Passthrough Funding

Appendix A: Maryland's 1332 Waiver Extension Request and Letter of Approval

Appendix B: Maryland Senate Bill 705/House Bill 728 (Access to Care Act)

Appendix C: Actuarial Analysis

Appendix D: Public Hearing Presentation

Appendix E: Public Hearing Minutes

Appendix F: Public Comments

# 1. Background & Description of Request (1/2)

- Maryland General Assembly passed Access to Care Act (SB705/HB728)
  - Directs MHBE to apply for waiver amendment to allow all residents to enroll on-Exchange, regardless of immigration status (waiver of section 1312(f)(3) of the Affordable Care Act)
- Maryland has an approved section 1332 waiver to facilitate the state reinsurance program through 2028
- MHBE requests to waive section 1312(f)(3) for the period January 1, 2026 through December 21, 2028. MHBE anticipates launching the new eligibility rules by November 1, 2025 for enrollment in 2026 plans.

# 1. Background & Description of Request (2/2)

- ~112,400 Marylanders are uninsured and ineligible for coverage due to immigration status (~30% of MD uninsured population)
- Currently, individuals ineligible to enroll on-Exchange due to their immigration status are able to purchase full-price health plans off-Exchange
- If waiver amendment is approved, these individuals would be able to enroll in full-price private plans on-Exchange
- Newly eligible individuals under the waiver amendment would not be eligible for Federal or state subsidies

# 1. Benefits of On-Exchange Enrollment

- Simplified shopping experience
  - Plan cost comparison
  - Tools that show whether plans include providers and prescription drugs
  - Total health care cost estimation
- Extensive consumer support
  - Call Center (more than 200 languages)
  - In-person assistance: Navigator Program and authorized brokers
- Streamlined enrollment in the same plan for mixed-status families
  - Continuity of coverage and care coordination
  - Allow families to share single plan deductible and out-of-pocket maximum
  - Reduce burden of managing multiple plans



## 2. Public Notice and Comment Period

- 30-day comment period: June 10 - July 9, 2024
- Two public hearings
  - June 18, 2024
  - July 3, 2024
- Notice of public hearings was posted on MHBE's website on May 10, 2024
- The public may also submit comments to [mhbe.publiccomments@maryland.gov](mailto:mhbe.publiccomments@maryland.gov)
- A summary of this and the second meeting will be added to the final submission of the application, as well as:
  - Presentations
  - Meeting minutes
  - Comments received

### 3. Evidence of Sufficient Authority Under State Law

- 2018 - Maryland General Assembly passed House Bill 1795 – Establishment of a State Reinsurance Program (HB 1795). Directed MHBE to submit a Section 1332 State Innovation Waiver to HHS and the Treasury to establish a State Reinsurance Program
- 2024 - MGA passed Access to Care Act (SB705/HB728), which directs MHBE to apply for an amendment to Maryland’s existing 1332 waiver to allow all Maryland residents to enroll in private plans on-Exchange, regardless of immigration status, and
  - Clarifies technical amendments to the MD Insurance Code
  - Adds two sections to the MD Insurance Code:
    - § 31–123, to direct MHBE to submit a state innovation waiver application amendment under § 1332 of the ACA to establish a Qualified Resident Enrollment Program; and
    - § 31–124, to direct MHBE to implement a Qualified Resident Enrollment Program to facilitate the enrollment of qualified residents in qualified plans, contingent on approval from the Departments of a Section 1332 waiver amendment

## 4. Implementation Plan

- December 2024 - receive approval of 1332 waiver amendment request
- March to August 2025
  - Exchange begins designing system changes
  - Summer 2025 - Finalize system updates and complete testing in advance of fall OE activities, to support waiver implementation for OE 2026
- November 2025 - OE 2026 begins; waiver population eligible to purchase QHPs
- January 2026 - OE ends Jan 15; QHP coverage begins for waiver population

# 5. Impact on 1332 Guardrails

The amended waiver would continue to meet the statutory guardrails:

1332 Waiver Guardrail	Estimated Waiver Impact
Comprehensiveness: Provide coverage that is at least as comprehensive as the coverage provided without the waiver	Not requesting changes to Essential Health Benefits, so 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	Amended waiver would not change enrollees' out-of-pocket costs or raise premiums
Coverage: Provide coverage to at least a comparable number of residents as without the waiver	Amended waiver would not impact coverage of individuals who were already eligible pre-amendment, and newly eligible enrollments will lead to increase in coverage
Federal Deficit: No increase to the federal deficit	Amendment expected to immaterially reduce premiums, reducing federal APTC liability and the federal deficit

## 6. Estimated Impact on Passthrough Funding

- Amendment is expected to immaterially reduce overall premiums
  - Research indicates that those eligible but for immigration status are healthier than the general population, controlling for age and other factors
  - Those eligible but for immigration status are younger than the Individual Market overall
- Limited impact from anti-selection and pent-up demand (prior off-Exchange availability)
- Although reduced premiums reduce federal APTC liability, MHBE is not requesting passthrough as a result of this waiver amendment

# Timeline

<b>Completed Activities for Amendment Request</b>	
<b>April/May</b>	MHBE submitted letter of intent (LOI) after Board vote to authorize submission
<b>6/4/2024</b>	CMS responded to LOI allowing MHBE to apply for waiver amendment
<b>Current/Remaining Activities for Amendment Request</b>	
<b>6/10 - 7/9/2024</b>	Application published on MHBE website; 30-day state public comment period
<b>6/18/2024</b>	Public Hearing #1
<b>7/3/2024</b>	Public Hearing #2
<b>7/15/2024</b>	Board vote to submit application; submit application to federal government
<b>7/16/2024</b>	Sixth Annual Reinsurance Forum
<b>8/29/2024</b>	Federal government determines whether application is complete (up to 45 days)
<b>8/29 - 9/30/2024</b>	30-day Federal public comment period
<b>2/25/2025</b>	Last day for federal approval: federal government may take up to 180 days from determination of completeness to approve an application (MHBE has request a decision by the end of 2024)
<b>11/1/2025</b>	Open enrollment starts for plan year 2026; all qualified residents eligible to enroll
<b>1/1/2026</b>	Plan year 2026 coverage begins

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# Public Comment