

Commonwealth Health Reinsurance Program

Bradley Marsh, BOI Health Insurance Policy Advisor

House Appropriations Committee Meeting
January 17, 2024



Commonwealth of Virginia

STATE CORPORATION COMMISSION

Background

- Reinsurance is a mechanism for spreading the costs of expensive claims by pooling them together and paying for them through a separate financing system so that insurers do not have to price those costs into their standard premiums.

Background

- The Commonwealth Health Reinsurance Program (CHRP) is designed to lower the cost of health insurance in the individual market by reimbursing carriers for a portion of their high-cost claims.
- SCC was directed by the General Assembly in 2021 to apply for a State Innovation Waiver under Section 1332 of the Affordable Care Act to permit and help fund the CHRP

Background

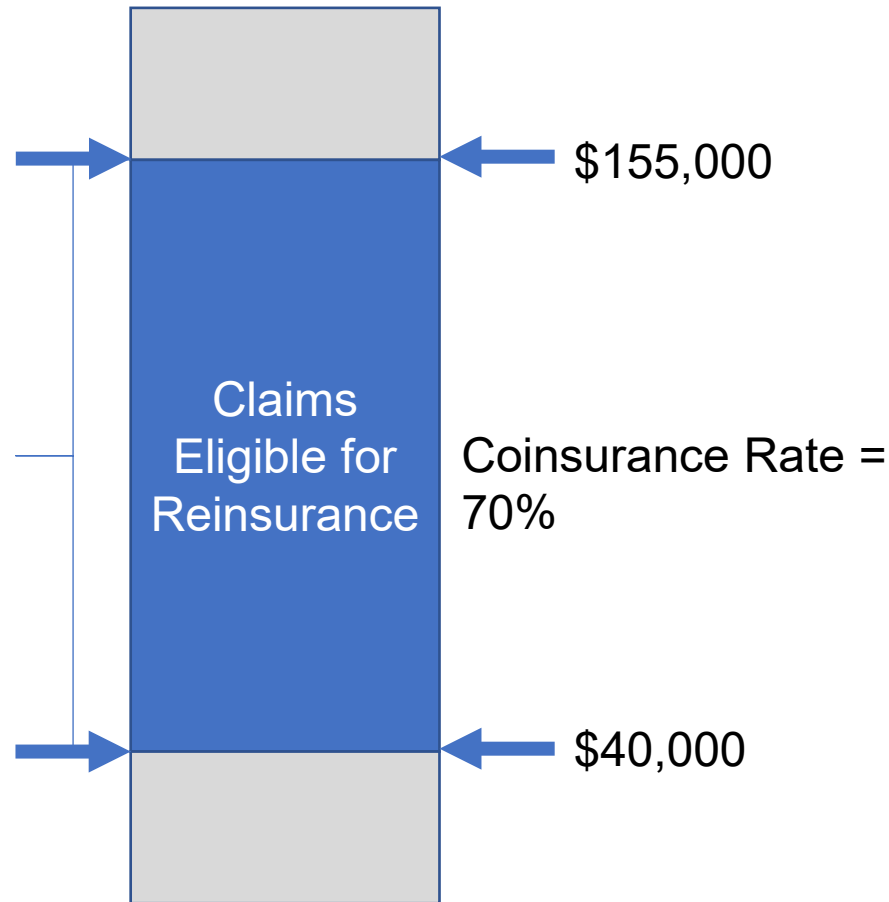
- As directed, the Virginia SCC, Bureau of Insurance applied for and received federal approval to establish a reinsurance program in the individual health insurance market
 - Program approved for five years beginning in benefit year 2023 (i.e., January 1-December 31, 2023.)
- The approved 2023 CHRP targets a 15% reduction in average member premium and is funded in part by \$331.9 million in federal pass-through funding.
 - For benefit year 2024, the CHRP again targets a 15% reduction in average member premium.

How does Reinsurance Work?

Reinsurance Cap– Issuer is responsible for all claim costs over this amount

Coinsurance Rate – Issuer is paid a portion of claims cost within the Reinsurance band

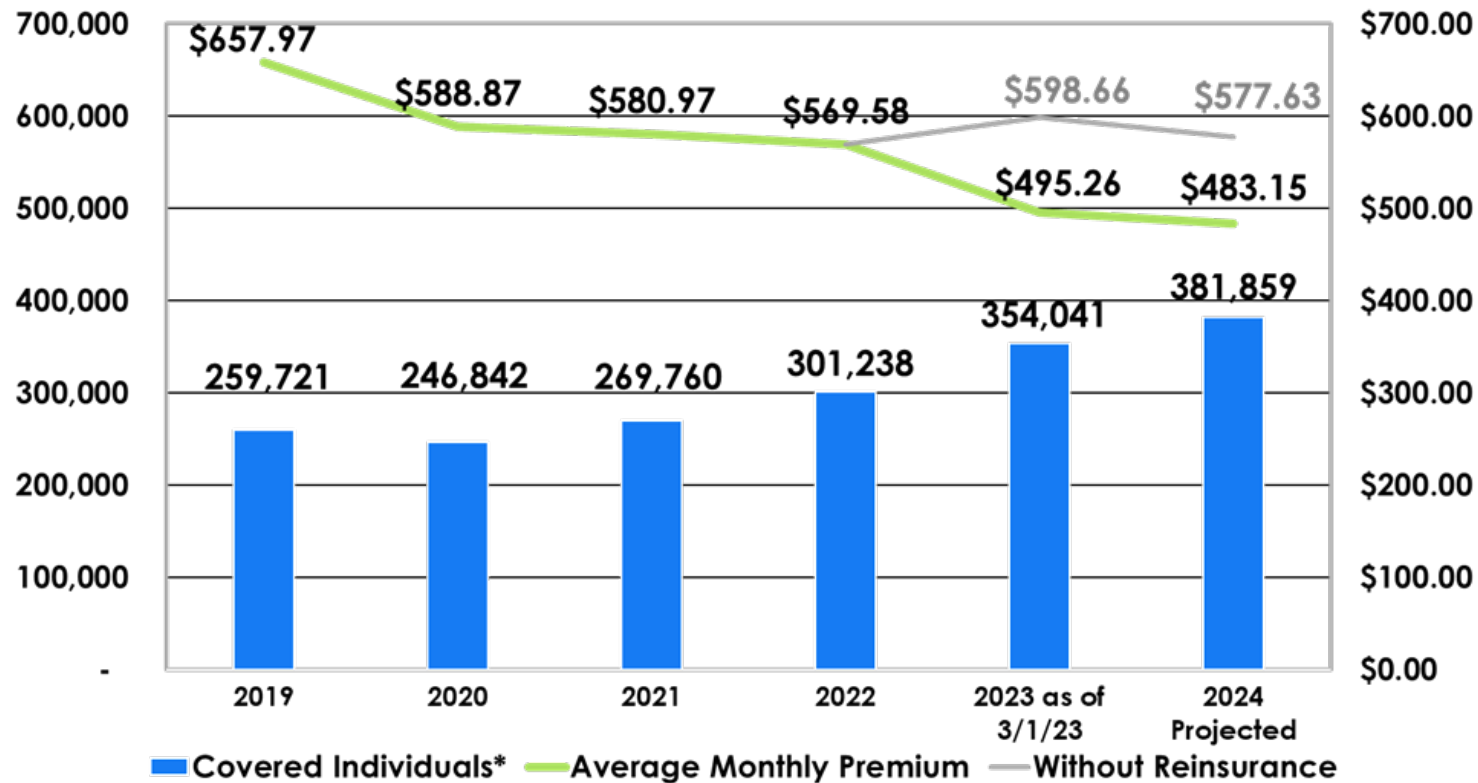
Attachment Point – Issuer is responsible for all claim costs up to this amount



These amounts are total annual medical expenditures on any covered individual for 2023

Reinsurance Program Impact

Virginia Individual Market Premium Rates and On-Exchange Enrollment by Plan Year 2019-2024



* Carrier-reported 2022-2024 enrollment per the 2024 Virginia Rate Filing Template

CHRP Program Funding

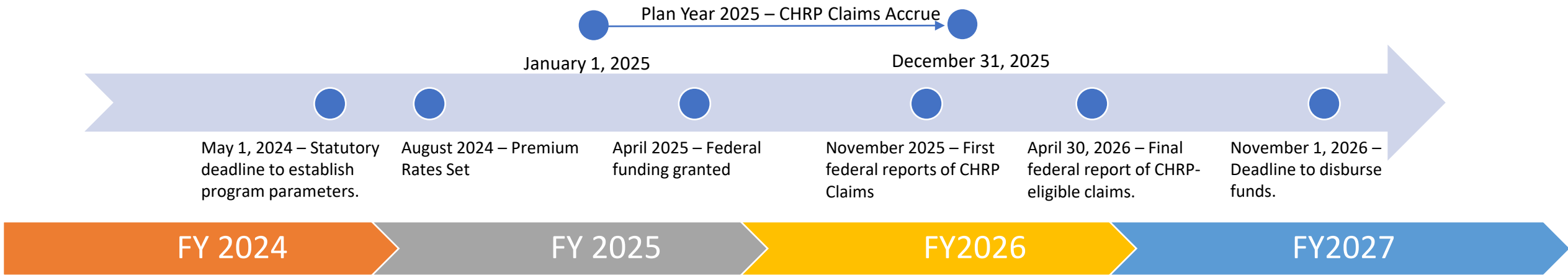
- Federal “pass-through” funding is provided for federal savings from reduced premium tax credits (PTCs) due to lower health insurance premiums.
 - Premium tax credits are designed to bring an individual’s premium costs down to a percentage of the individual’s income.
 - Lower top-line premium costs reduce the amount of federal PTCs needed.
 - Waiver provides funding in the amount of projected savings.
- In this arrangement, Virginia’s estimated “State share” of Reinsurance program funding is largely driven by individuals purchasing health insurance coverage without PTCs
 - State share of the program costs will be paid from State General Funds.

Projected Reinsurance Program Funding (April 2023 Estimate)

	PY 2023	PY 2024
Cost of Reinsurance Program (millions)	\$375.30	\$420.54
Federal Pass Through Funding (millions)	\$331.88	\$354.12
State Funding (millions)	\$43.43	\$66.42

- The budget passed in 2022 appropriated State general funds of \$20M to the CHRP fund in FY 2024 to secure federal funding.
- Federal grant of \$332M for the 2023 CHRP was awarded in April of 2023.
- An additional \$25M in FY 2025 is provided in the Governor's current proposed budget to fully fund the estimated program cost for 2023.
- The current proposed budget also contains \$67M in FY2026 to fund the estimated state share of 2024 program cost.

2025 CHRP Timeline



HB 591 (Sickles)

- HB 591 instructs the Commission "set such payment parameters at levels designed to achieve the premium reduction target established in the general appropriation act or, if such target is not established in the general appropriation act, the premium reduction target of the benefit year prior to the applicable benefit year."
- If passed, [and there is no premium reduction target established in the general appropriation act] the Commission would set parameters in May for the 2025 CHRP that target the 2024 CHRP premium reduction goal of 15%.

Questions?