Commonwealth of Virginia

General Assembly

Waiver Options to Redesign the Individual Insurance Marketplace

December 2, 2019

2019 Session Budget Language

- Item 1, Paragraph T:

"6. The Joint Subcommittee for Health and Human Resources Oversight shall consider options for a § 1332 Affordable Care Act waiver to redesign the individual insurance market to better align with cost saving opportunities and outcomes similar to the large group market. The State Corporation Commission and Health and Human Resources unit at the Joint Legislative Audit and Review Commission shall provide assistance to the joint subcommittee, as needed, as the joint subcommittee evaluates the options. The joint subcommittee shall make recommendations, if any, to the General Assembly regarding a § 1332 Affordable Care Act waiver by December 15, 2019."

What is the Individual Health Insurance Market?

Affordable Care Act created a federal exchange for individuals to purchase insurance. (Supplanted the existing market.)

Premium Subsidies for individuals from 100 to 400% of the federal poverty level.

No denial for pre-existing conditions, no life-time limits, minimum essential coverage and a medical loss ratio of 80%.

Four levels of coverage (Bronze, Silver, Gold and Platinum) with different consumer cost-sharing.

There are 3 Different Health Insurance Markets

Large Group Market

- Employer sponsored health insurance covers most individuals
- Plans regulated under ERISA, not the ACA
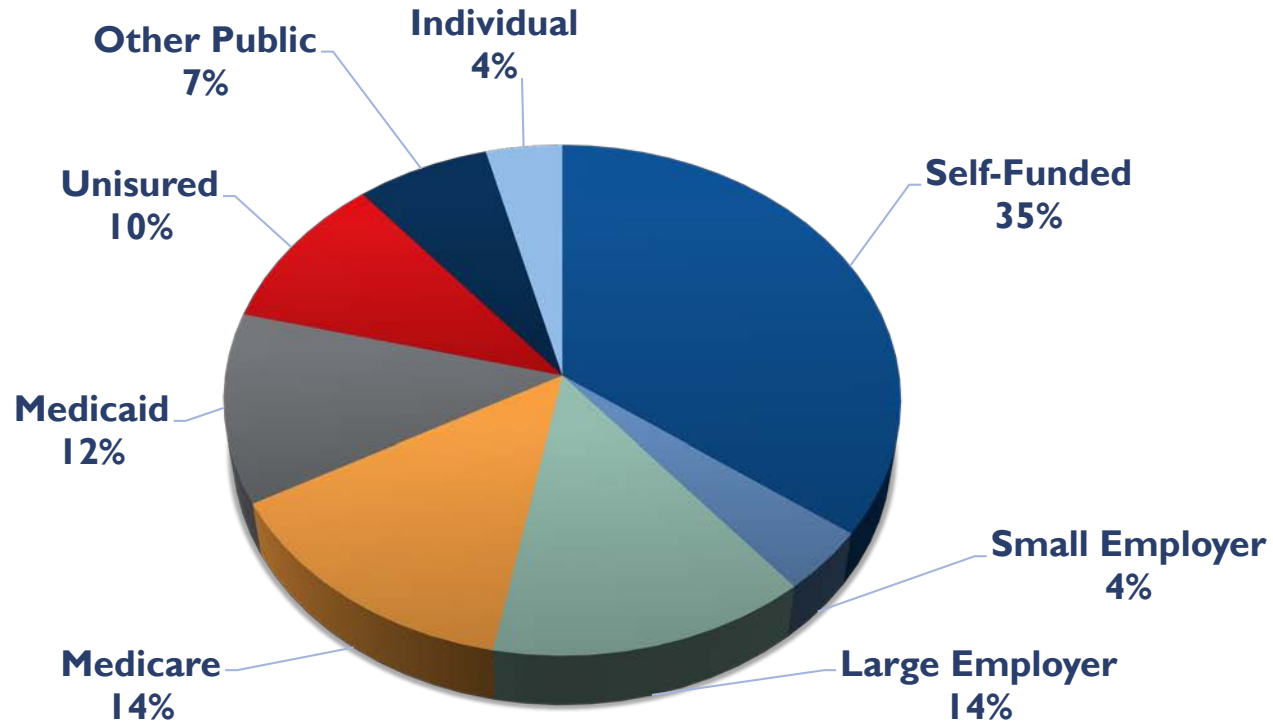- Typically self-insured

Small Group Market

- Small employers up to 50 employees
- Must meet all ACA requirements

Individual Market

- Individuals purchase insurance directly
- Must meet ACA requirements
- Sold through federal or state-based exchange
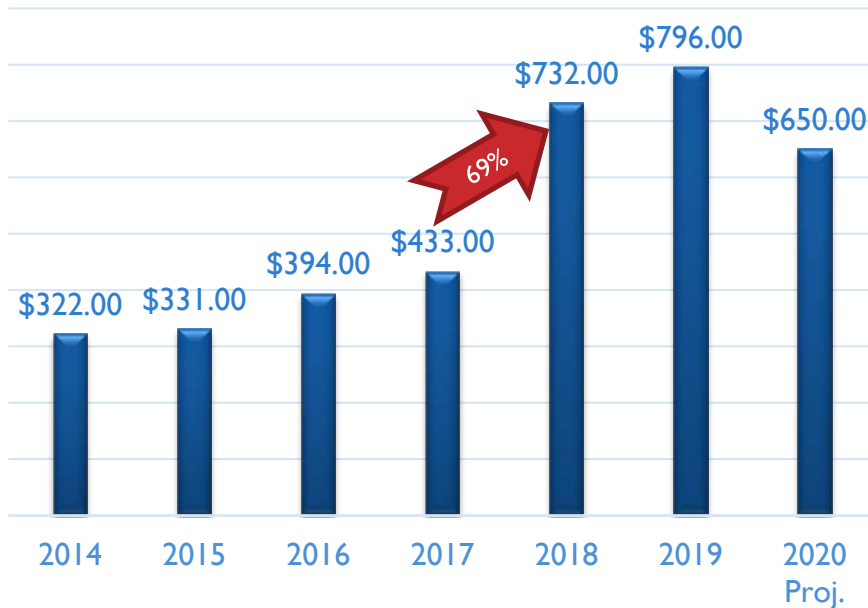
Health Care Coverage of the Virginia Population 2018

Other Public 7%
Individual 4%
Unisured 10%
Self-Funded 35%
Medicaid 12%
Small Employer 4%
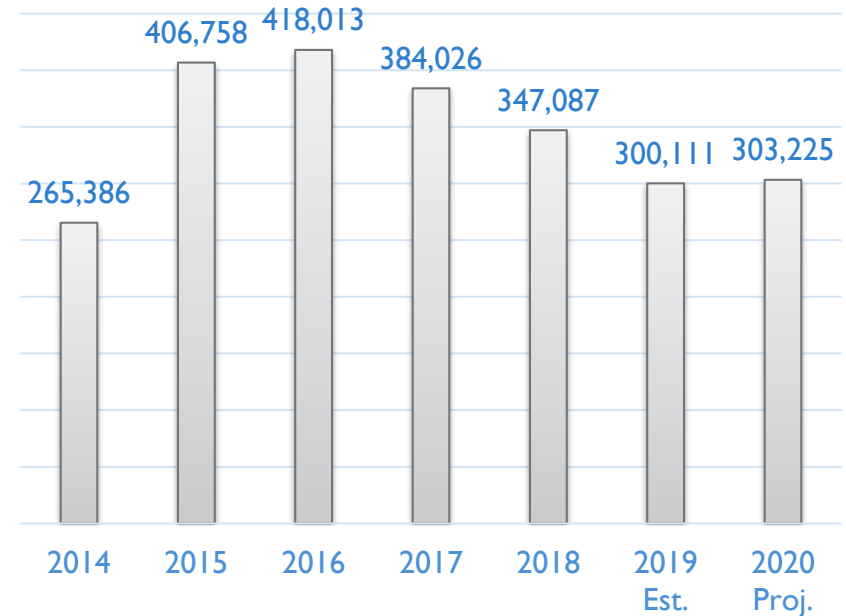Medicare 14%
Large Employer 14%

Source: Bureau of Insurance, State Corporation Commission.

Premiums in the Individual Market Rose Dramatically but are expected to decline in 2020

Virginia Total Weighted Average Premium

- 2014: $322.00
- 2015: $331.00
- 2016: $394.00
- 2017: $433.00
- 2018: $732.00
- 2019: $796.00
- 2020 Proj.: $650.00

69%

Individual Insurance Market Enrollment

- 2014: 265,386
- 2015: 406,758
- 2016: 418,013
- 2017: 384,026
- 2018: 347,087
- 2019 Est.: 300,111
- 2020 Proj.: 303,225

Source: Bureau of Insurance, State Corporation Commission.

2019 Session Legislation

- ## Senate Bill 1717 (Dunnavant):

    - ### Would create the Commonwealth Care Health Benefits Program.

        - Qualifying association health plans offered through the program that would provide large group plan benefits.

        - Virginia would leave the health benefit exchange and through a § 1332 waiver use the federal subsidy funds for the program, and to also fund a reinsurance program.

        - Provide subsidies to individuals with income between 100 and 400 percent of the federal poverty level.

        - Provide premium incentives to promote wellness and chronic disease management.

Senate Bill 1717 Benefits / Issues

- Potential Benefits

  - May promote increased stability in the market.

  - May reduce premiums through administrative savings.

    - Higher savings is dependent on the impact of the reinsurance program.

- Issues

  - Sufficiency of federal funding to operate both the program and the reinsurance program.

    - Program is self-funded. The State Corporation Commission would need some ability to deal with funding shortfalls.

  - Federal approval of a §1332 waiver.

   - The statutory guardrails are very restrictive.

What is a § 1332 Waiver?

- Section 1332 of the Affordable Care Act (ACA) allows states to waive ACA requirements in the individual and small group insurance markets, such as:

  - Individual and employer mandates;

  - Essential health benefits (EHBs);

  - Limits on cost sharing for covered benefits;

  - Metal tiers of coverage;

  - Standards for health insurance marketplaces, including requirements to establish a website, a call center, and a navigator program; and

  - Premium tax credits and cost-sharing reductions.

- The ACA does provide guardrails such that the waiver must provide coverage that is at least as comprehensive; at least as affordable; covers at least a comparable number of state residents; and does not increase the federal deficit.

§ 1332 Waivers in Other States

Most other state waivers create reinsurance programs to reduce premium costs.

11 states now have approved reinsurance programs.

SOURCE: Kaiser Family Foundation, kff.org
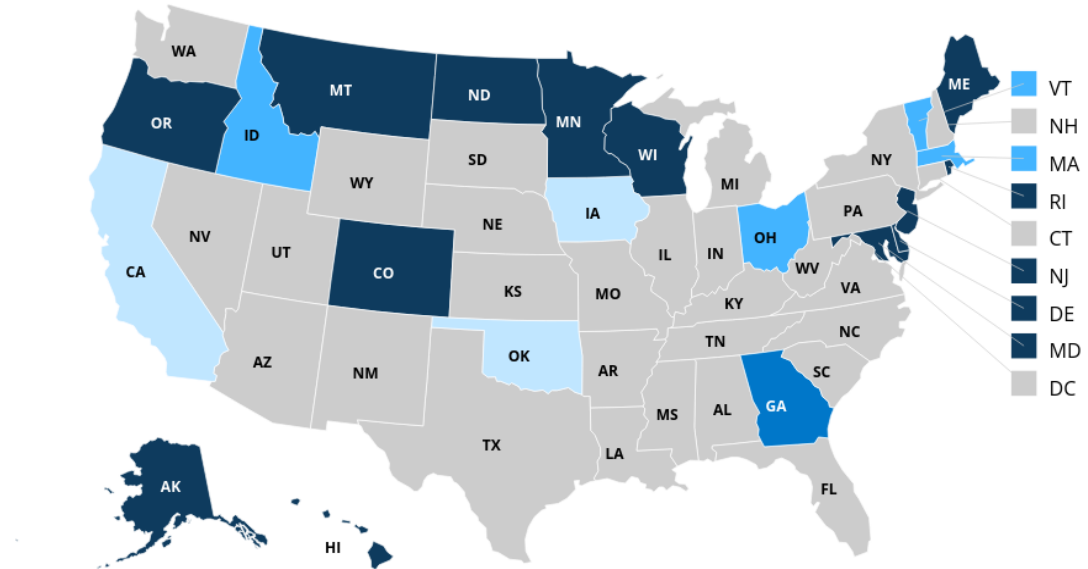
Legend: Approved, Pending, Request Deemed Incomplete, Withdrawn

Legend states listed: VT, NH, MA, RI, CT, NJ, DE, MD, DC

Main Option Used by States to Reduce Individual Market Premiums: Reinsurance Program

- States can request a § 1332 Waiver to use federal savings from implementing a Reinsurance Program in the individual marketplace.

  - A reinsurance program pays a portion of high-cost claims to limit the financial exposure of the insurance companies and thereby reduce premiums.

  - Similar programs in other states have reduced premiums by up to 20%. Eleven states have been approved to fund reinsurance programs.

  - Will require state funds to fully fund the program (could use insurance assessment to fund the state share).

  - Must consider impact of other actions impacting the individual market to ensure desired premium reduction is achieved.

Premium Reduction	Annual State Costs*
5%	$41 million
10%	$81 million

* SCC Bureau of Insurance estimate.

Other State Options that Could Reduce Premiums

- Age Adjusted Premium Subsidies.

  - Current structure favors older enrollees.

  - Modify the subsidies to also take into account age of oldest household member to make coverage more attractive to younger enrollees.

- Cap household gross income on cost of coverage in the ACA marketplace for all enrollees.

  - Coverage would be more affordable especially to a segment of the population that finds coverage unaffordable.

2018 Virginia Market Stability Workgroup

- The Virginia Market Stability Work Group viewed the following policy actions as most promising to stabilize Virginia's individual market:

  1. Pursue a reinsurance program through a § 1332 waiver;

  2. Develop a state-based exchange and utilize this platform for market enrollment, including outreach and application assistance; and

  3. Increase transparency and develop consumer protection policies for short-term limited-duration plans and association health plans.

  4. Provide a state funding source for additional outreach and enrollment assistance.

Summary

- SB 1717 (2019) has potential benefits, but has never been tried before.

  - May require further analysis to best determine its impact and implementation requirements.

- Other options for § 1332 waivers have been considered, but a reinsurance program is the only option approved so far in other states.

- Virginia could implement a reinsurance program, but the state share of the cost is the biggest impediment.