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Leveraging 1332 State Innovation Waivers to Stabilize Individual Health Insurance Markets: Experiences of Alaska, Minnesota & Oregon

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Study Purpose

- Document the strategies and rationale used by Alaska, Minnesota, and Oregon to address the volatility of their individual markets with state-based reinsurance mechanisms
- Identify the challenges, facilitators, and lessons learned

Methods

- In-depth qualitative interviews with 31 individuals who were involved in the design and/or implementation of state reinsurance programs and the 1332 waiver application process
- Discussions took place between February 2018 and May 2018
- Interviewees represented state agency and executive staff, legislators, actuarial analysts, health plan representatives, program administrators, and other stakeholders

States Lead the Way

- 1332 State Innovation Waiver Development for State-Based Reinsurance

7 STATES

have **received CMS approval** of their 1332 reinsurance waiver proposals: AK, ME, MD, MN, NJ, OR and WI.

NO STATES

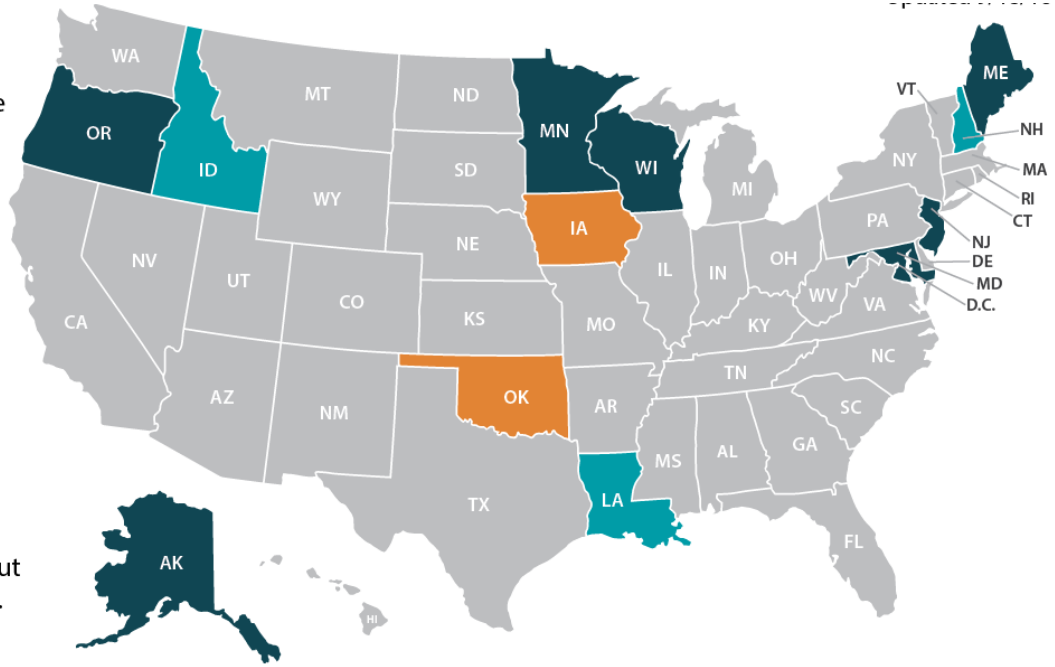
have 1332 reinsurance waiver applications **awaiting review**.

2 STATES

submitted 1332 reinsurance waiver applications that were later **withdrawn**: IA and OK.

3 STATES

released draft 1332 reinsurance waiver applications but have not yet formally submitted to CMS: ID, LA and NH.



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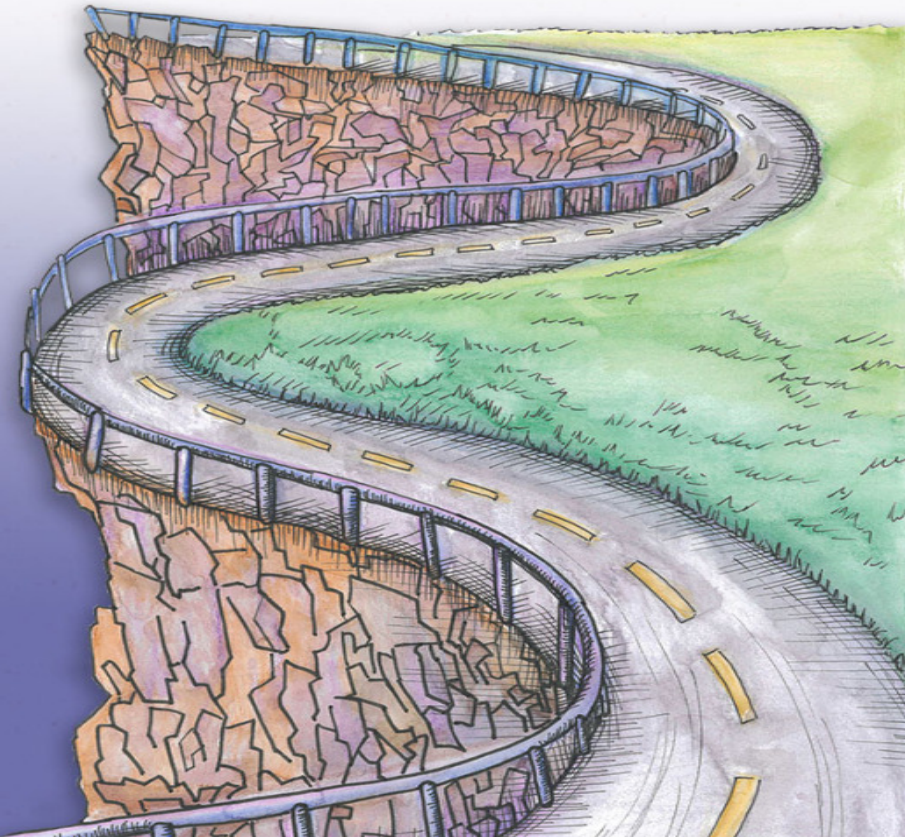
1332 State Innovation Waivers

- Allow states to waive key requirements of ACA in order to experiment with different policies in the individual and small group markets within certain guardrails:

1) **Scope of Coverage**
2) **Comprehensive Coverage**
3) **Affordability**
4) **Federal Deficit**



Historical Context was Important

ALASKA

- High health care costs
- Small-size of covered lives
- One carrier

MINNESOTA

- Low premiums in 2014
- Basic Health Program (133 – 200%) FPL
- Tried a premium subsidy program

OREGON

- Competitive insurance market
- Underpriced premiums
- Threat of loss of carriers in geographic areas

State Reinsurance Program Details

	Alaska	Minnesota	Oregon
Program Name	Alaska Comprehensive Health Insurance Fund	Minnesota Premium Security Plan (MPSP)	Oregon Reinsurance Program (ORP)
Reinsurance Type	Condition-specific	Traditional reinsurance	Traditional reinsurance
Reinsurance corridor	All claims from policyholders with one of 33 specific medical conditions	$50,000 – $250,000	$95,000 - $1,000,000 (2018) $90,0000 - $1,000,000 (2019)
Coinsurance rate	100%	80% / 20%	50% / 50%
State funding	$55 million annually; (51.6% of total)	$271 million annually; (61.9% – 66.3% of total)	$90 million in 2018 (68.5% of total)
1332 funding request	$51.6 million in pass-through funding (48.4% of total)	$138 – $167 million in annual pass-through funding; (33.7% – 38.1% of total)	$35.66 million in 2018 (31.5% of total)
1332 funding received	Received $58.5 million (2018)	$130.7 million (2018);	$54.5 million (2018);
Administrative body	Alaska Comprehensive Health Insurance Association	Minnesota Comprehensive Health Association (MCHA)	Oregon Department of Consumer and Business Services (DCBS)

1332 Waivers: Challenges

Securing a state funding source

"Our state was in a fiscal situation to be able to put up $271 million. Most of the other states that are looking at state-based reinsurance programs don't have that kind of cash lying around."

Access to timely data

"We are a federal exchange, we don't have those numbers. And I kept having to remind CMS of that in our meetings."

Rapidly shifting political climate

"I do wonder if when the administration was pushing so hard for this repeal process of the very law that gives us the 1332, I think that perhaps if they were not so focused on their repeal and replace efforts, we could have been more focused on a bipartisan, sensible thing [reinsurance] to actually bring down costs."

1332 Waivers: Facilitators

Working hand-in-hand with insurance companies

"Reinsurance became a super important stabilizer way outside the actual economic impact. …I think [it] demonstrated that the state was willing to use its regulatory power to stabilize the market. And so this now gets into the post-election environment where everyone was kind of panicked."

Leveraging existing infrastructure & experience

"My advice at the time was stick with what people know because they're more likely to be comfortable with it, they understand it, it's been in place for years, rather than trying to shift gears."

Engaging the state's congressional delegation

"I think it was enormously helpful having that engagement with the congressional delegation so it wasn't just the governor's office calling everyday being like 'Where's our waiver?"

Lessons Learned

There are pros and cons to both reinsurance models

"Now -- and unfortunately, those 33 conditions are actually written into the regulation. That is not a good thing to do. Because we have since run two more studies since the initial one and those studies would suggest that we should be eliminating some of those 33 conditions and putting other conditions in."

Robust communication efforts with multiple stakeholders were needed

"The things that we were asking for around regulatory flexibility and around reinsurance, are the kinds of things that are extraordinarily difficult to do without broad stakeholder consensus."

Future Concerns: Difficult to Measure Impact Beyond Premiums

COMMERCE DEPARTMENT

Final 2019 Health Insurance Rate Changes Individual Market

Final 2019 individual market health insurance rates have been approved by the Minnesota Commerce Department. Final rates are available to the public on the Commerce website (mn.gov/commerce).

The individual market is available for Minnesotans who do not have access to employer-based coverage and are not eligible for coverage through public programs such as Medicare, Medicaid and MinnesotaCare.

Consumer protections required in all individual market plans include coverage for preexisting conditions and free preventive care, as well as coverage for prescription drugs and substance abuse and mental health treatment.

As of April 2018, about three percent

Individual Market Final Rate Changes

Insurer	Final Average Rate Change 2018-2019 *(as calculated by insurers)*
Blue Plus	-27.70%
Group Health (HealthPartners)	-7.40%
Medica Insurance Company	-12.40%
PreferredOne Insurance Company	-11.00%
UCare	-9.98%

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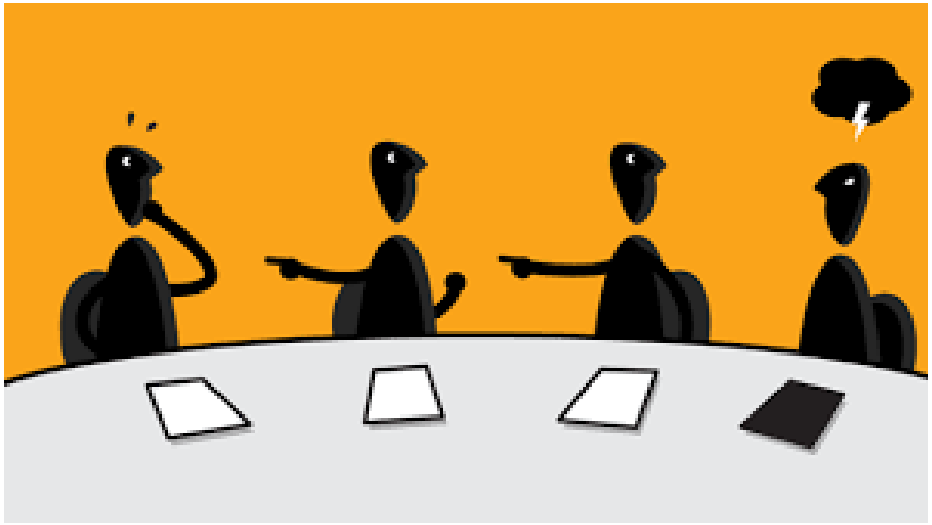
Future Concerns: No Accountability Measures



> “In terms of the outcomes and the population health piece, that really wasn't at the forefront of the discussion. And I think there was so much focus on let's just make sure that we can entice the carriers to stay in the market, period.”

> “We've been really leery given the instability and fragility of the market to want to push very hard on anything until we get out of the woods of what's the market going to look like and will it stay that way for any length of time. We were really reluctant to try to go down that path.”

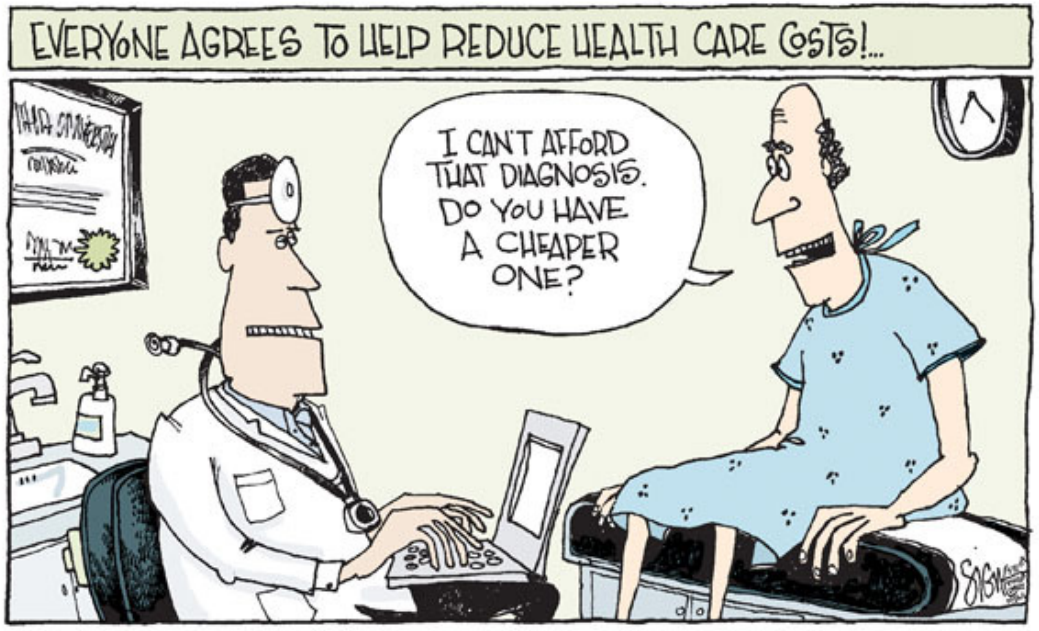
Future Concerns: Lack of Data on Which Model is More Effective

"I don't think we should spend another dime on that [reinsurance] model until somebody has proven that it's been an effective use and an efficient use of dollars. …Nobody has transparency and nobody is being asked to figure out what the health plans are doing. And I don't mean that to say they're doing something nefarious. I just mean that, for example, Medicaid is a purchaser and provides oversight on what they're doing for care management and disease management and how they're spending their dollars and what their provider reimbursement rates are and whether or not they're in value based arrangements. Nobody is doing that for people on the individual market. That is a consumer protection that is not in place right now."

Future Concerns: Short-term Fix

- Reinsurance is only a short-term fix and doesn't address the underlying problem – health care costs

> *"In terms of near term stabilization we are in a good spot, but I think what we have right now is a Band-Aid. We need longer term federal solutions now. And people coalescing around that. I don't think our budget can sustain another half a billion dollars in reinsurance down the road or in the future."*



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Thank you!

Resource: 1332 State Innovation Waivers for State-Based Reinsurance:
http://www.shadac.org/publications/resource-1332-state-innovation-waivers-state-based-reinsurance

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