

Maryland Medicaid Advisory Committee Presentation

July 26, 2018

1332 State Innovation Waiver for Reinsurance Program

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State Reinsurance Program Legislation & Action to Date

- Two bills from the 2018 Maryland Legislative Session impact the State Reinsurance Program House Bill 1795 – Establishment of a Reinsurance Program & Senate Bill 387 Maryland Health Care Access Act of 2018.
- Signed by Governor Larry Hogan on April 5 and April 10. These bills are a bipartisan short-term solution to address premium affordability and market stabilization in Maryland’s individual health insurance marketplace.
- HB 1795, establishes a claims-based State Reinsurance Program to offset the impact of high cost enrollees in the individual marketplace. MHBE is required to apply for a State Innovation Waiver under section 1332 of the Affordable Care Act. Implementation of the program is contingent upon approval of waiver application.
- SB 387 places a 2.75% assessment on carriers to recoup the aggregate amount of the health insurance provider fee that was previously assessed under Section 9010 of the ACA. The Tax Cuts and Jobs Act to 2017 waived this fee for 2019. This funding source provides an estimated \$365 million (MIA/OCA) for the State Reinsurance Program.

State Innovation Waiver Application Walk-through and Estimated Impact

- Maryland seeks to waive Section 1312(c)(1) of the Affordable Care Act – determination of the market index rate. This would allow Maryland carriers to include expected State Reinsurance Program payments when determining their market index rate. Under existing rules, carriers may only use age and geography to determine their premiums. The higher the index rate, the higher the premium.
- Maryland is seeking federal pass-through funding, through net tax credits savings, to fund a reinsurance program that targets a 30% premium reduction offset for 2019 and 2020. Total program costs for 2019 are approximately \$462 million.
- The decreased premiums will decrease federal spending on tax credits. The actuarial analysis estimates that federal savings will be \$280 million, \$293 million, and \$32 million in 2019, 2020, and 2021, respectively.
- Maryland estimates that the premium impact will result in a 5.8% increase in individual market enrollment in 2019.

State Innovation Waiver Application Walk-through and Estimated Impact

- Four “guardrails” apply to 1332 State Innovation Waivers. The waiver must:
 1. Provide access to quality health care that is **at least as comprehensive** as would be provided without the waiver.
 2. Provide access to quality health care that is **at least as affordable** as would be provided without the waiver.
 3. Provide coverage to **at least a comparable number** of residents as would be provided without the waiver.
 4. Does **not increase the federal deficit**.
- Maryland’s 1332 State Innovation Waiver is compliant with these guardrails. Guardrails two, three, and four are affected by the waiver. It would decrease premiums by 30 percent from what they would be absent the waiver, increases enrollment by 5.8% in 2019, and saves \$695 million over the 10-year budget window.
- Average premiums for 2018 in the individual market are \$604.50 per month. Absent the waiver, premiums are estimated to rise to \$725.66 in 2019. With the reinsurance program, premiums are estimated to be \$508.03 - a net **decrease** from 2018.

Current Status of waiver

- CMS deemed the waiver application “complete” on July 5, 2018
- A Federal public comment period runs from July 5th to August 4th
- Comments can be submitted to StateInnovationWaivers@cms.hhs.gov
- Maryland expects waiver approval by end of September
- Insurance carriers offering individual insurance will need to re-file rates after waiver is approved
- Critical to the Medicare waiver for Maryland is keeping hospital costs down and reducing uncompensated care. The Reinsurance program will contribute to this by making health insurance more affordable for more people.