

2021 Reinsurance Results and 2023 Reinsurance Parameters

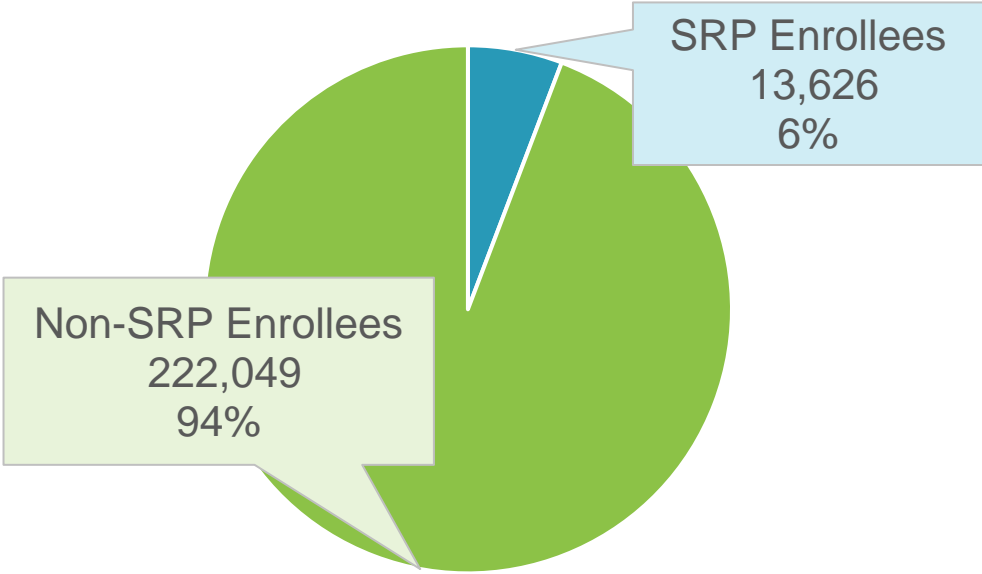
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July 18, 2022

2021 Reinsurance Results – Cost, Funding, Enrollment

2021 Program Cost and Federal Funding

	Summer 2021 Projection (L&E)	2021 Actuals
Cost	\$432.4M	\$467.6M
Federal Funding	n/a	\$474.5M

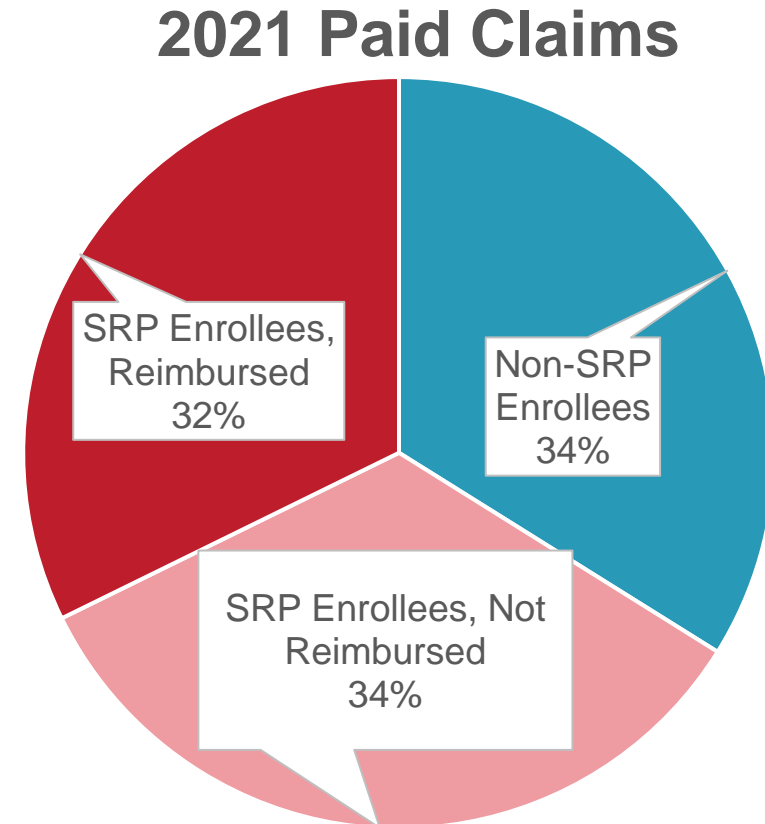
2021 Total Average Individual Market Enrollment



Enrollment calculated by MHBE using member months in CMS SRIS file

2021 Reinsurance Results – Paid Claims Breakdown

- Total paid claims in 2020 were about \$1.45B
- The 94% of enrollees who did not qualify for SRP payments accounted for 34% of paid claims
- The 6% of enrollees who qualified for SRP payments accounted for 66% of paid claims
 - The SRP reimbursed about half of these claims, accounting for 32% of total paid claims
 - Issuers covered the other half, accounting for 34% of total paid claims



Reinsurance Impact: Premium Reduction Realized, Enrollment Strong

Plan Year	Individual Premium Change
2014	n/a
2015	10%
2016	18%
2017	21%
2018	50%
2019	-13%
2020	-10%
2021	-12%
2022	2.1%

Enrollment Type	March 2021	March 2022	Change
Subsidized On-Exchange	122,000	141,000	16%
Unsubsidized On-Exchange	38,000	37,500	-1%
Off-Exchange	59,000	62,500	6%
Total	219,000	241,000	10%

Total market enrollment date from MIA as of 3/31/22; Exchange enrollment data from MHBE 3/31/22 data report



2023 Reinsurance Parameters

SRP Parameters - Regulatory Requirements

Each year, the Board is required to set the payment parameters for the reinsurance program:

1. An attachment point;
2. A coinsurance rate;
3. A reinsurance cap; and
4. A market-level dampening factor provided by the Commissioner, if determined necessary by the Board.

2023 Projections: Factors influencing 2023 payments and federal pass-through

- Young Adult Subsidy Program
 - Over 13,000 new young adults have joined the Individual market as of June 2022 as the result of the program. This enrollment is expected to persist into 2023 along with additional new enrollment.
- COVID-19 claims are expected to decline substantially from 2021 levels.
- The fix to the “family glitch”¹ expected January 1, 2023.
 - Dependents previously ineligible for Advanced Premium Tax Credits (APTC) are expected to join the Individual market.
- Medicaid Redetermination
 - Medicaid will begin disenrolling members determined to be ineligible due to income, age, or other factors. Most of these individuals are expected to be eligible for APTC.
- The continuation or expiration of the enhanced subsidies from ARPA.

American Rescue Plan Act Impact

ARPA subsidies have a material impact on program funding

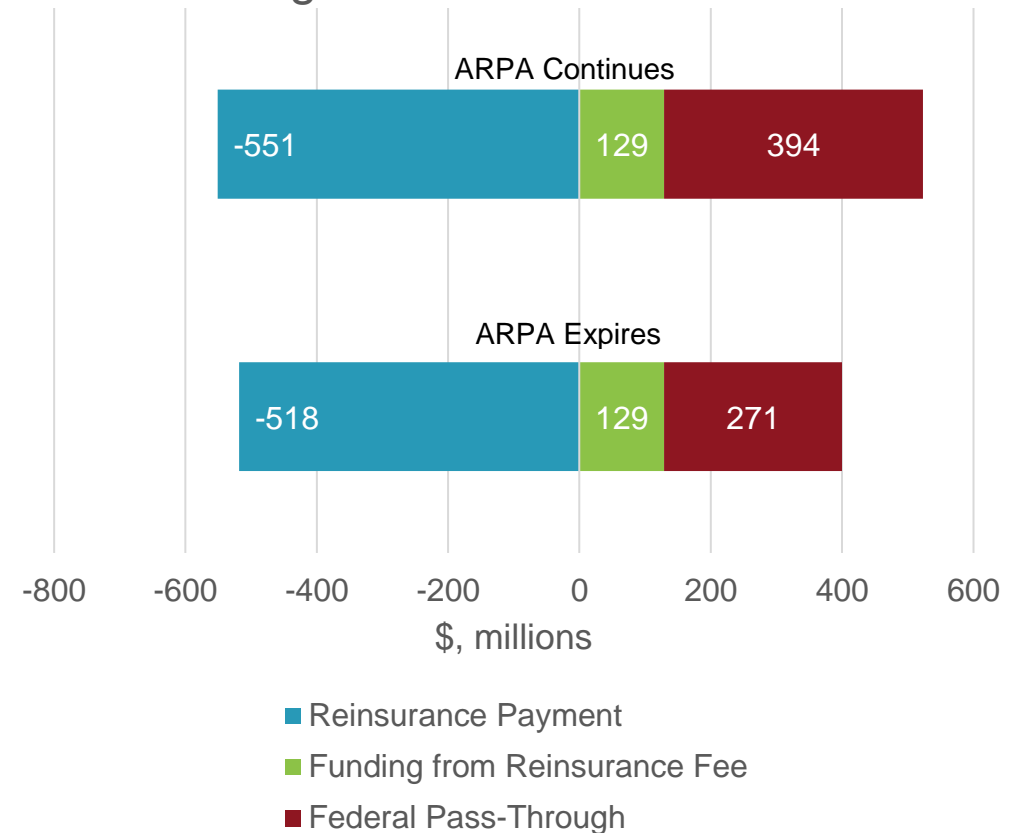
If ARPA ends in 2023 (vs. if it continues):

- Enrollment is expected to be lower and, on average, less healthy.
 - Impact: SRP cost \$33M lower.
- Federal Funding is expected to decrease.
 - Impact: Federal funding \$123M lower

Overall Picture: 2023 SRP cost is expected to exceed 2023 Federal + State funding, requiring us to draw on state funding reserves

- Impact: ARPA continues - will need \$28M from state reserves; ARPA ends – will need \$118M from state reserves

Projected 2023 Reinsurance Program Cash Flows¹



Projected SRP Fund Expenses and Funding: Plan Year 2023

- We project that using the current parameters, regardless of whether ARPA enhanced subsidies continue, the SRP will remain solvent in 2023.
- Starting in 2022, annual Federal + State funding will be less than the annual cost of the program. We will start to spend down State reserves to fund the SRP.

	2021	2022 Est.	2023 Est.: ARPA Ends	2023 Est.: ARPA Continues
SRP Cost	\$467,658,488	\$519,796,616	\$518,565,452	\$551,923,380
Other Expenditures*	\$100,000,000	\$21,900,000	\$42,000,000	\$42,000,000
Fed. Funding	\$474,542,755	\$344,149,951	\$271,519,113	\$395,026,034
State Funding	\$124,158,202	\$126,945,429	\$129,795,226	\$129,795,226
End of Year Balance – Fed.	\$74,154,458	\$0	\$0	\$0
End of Year Balance - State	\$367,382,103	\$364,835,324	\$204,584,211	\$294,733,204

Final 2023 SRP Parameters – Staff Recommendation

- MHBE staff recommend no change to the attachment point, coinsurance, and cap established for the 2019-2022 State Reinsurance Program.
- MHBE staff recommend that the Board again determine that a dampening factor, to be provided by the Commissioner, is required.

Parameters	Final 2019	Final 2020	Final 2021	Final 2022	Recommended 2023
Attachment Point	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
Coinsurance Rate	80%	80%	80%	80%	80%
Cap	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000
Dampening Factor	.800	.785	.760	.805	Yes

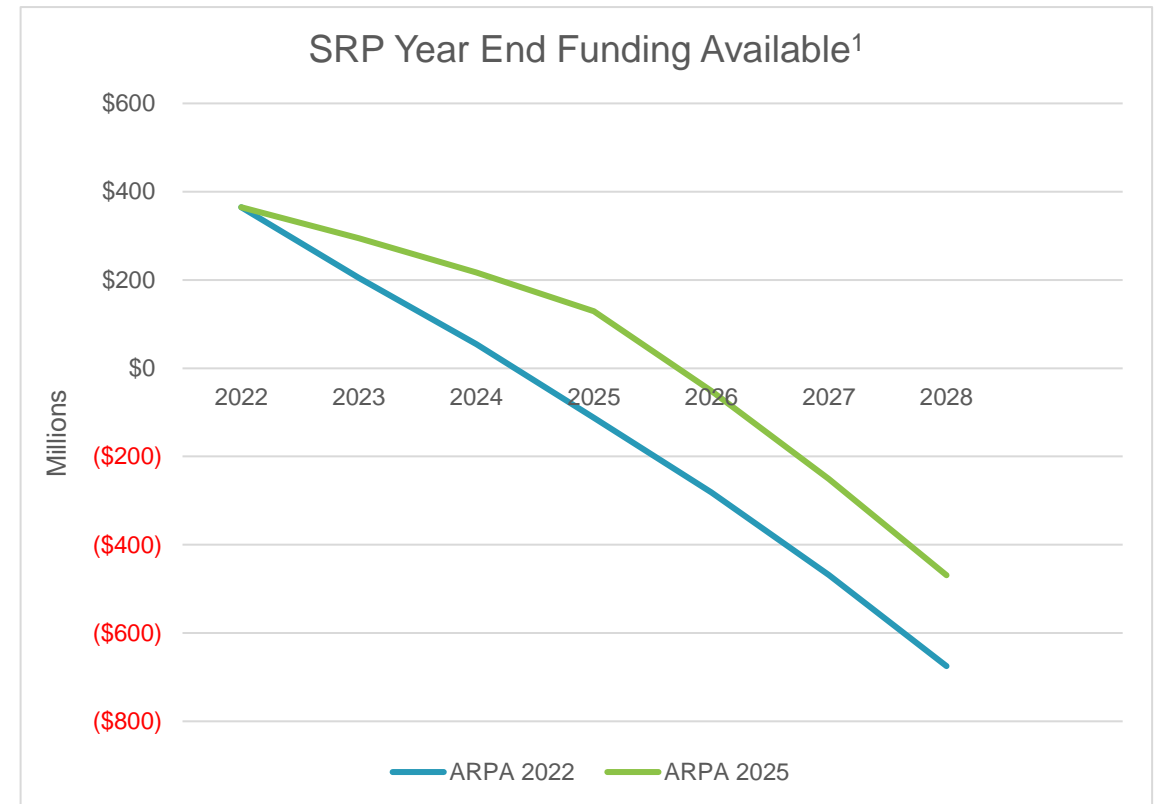


Reinsurance Program: 2024-2028

Second Waiver Period & Program Solvency

A five-year second waiver period beginning in 2024 will require changes to remain solvent

- The current 1332 waiver ends 12/31/23. MHBE will apply for a second five-year waiver (2024-2028).
- The SRP is not expected to have enough funding for a second waiver period, assuming program parameters do not change.
 - Funding is expected to run out during 2025 if ARPA expires at the end of 2022 or during 2026 if ARPA is extended until the end of 2025.
- To remain solvent, either additional state funding will be required, and/or the parameters of the program will need to be adjusted.
- HB413/SB395, which extended the 1% reinsurance fee, requires MIA to lead a workgroup in consultation with MHBE to study possible funding sources, appropriateness of 1% fee, and reforms needed to provide affordable individual market coverage
 - Report due December 1, 2023



¹ Both scenarios assume the current 2022 reinsurance parameters of a \$20,000 attachment point, 80% coinsurance rate, and \$250,000 maximum are in place until 2028.

Waiver Extension Timeline

- To extend the existing waiver, the state must submit a **letter of intent at least one year** prior to the waiver's end date. The federal government will respond to the letter of intent within 30 days of receipt. The section 1332 waiver extension request should be submitted **within the first quarter of the year** leading up to the initial waiver's end date. The federal government will approve or deny the extension request **within 90 days** of receipt.
- To extend the waiver application, the federal government would need to be **notified by December 31, 2022** and the application would need to be **submitted by March 31, 2023**.

TIMELINE FOR 1332 WAIVER EXTENSION REQUEST	
July-August 2022	MHBE staff draft letter of intent
October 2022	MHBE Board authorizes MHBE to submit letter of intent to the federal government
November 2022	MHBE submits letter of intent to the federal government
February 2023	MHBE submits waiver application to the federal government
March-June 2023	MHBE works with CMS to get application approved
January 1, 2024	New 5-year waiver period begins



Board Action

Board Action Requested

Staff requests that the Board approve the final parameters for the 2022 State Reinsurance Program as follows: an attachment point of \$20,000, a coinsurance rate of 80%, a cap at \$250,000, and a dampening factor to be provided by the Insurance Commissioner.

Thank you!

