Wisconsin 1332 State Innovation Waiver
Five-Year Extension Application
2024-2028

Wisconsin Healthcare Stability Plan
(State Reinsurance Program)

Submitted by the Wisconsin Office of the Commissioner of Insurance

Insert Date

Contents

Attachments

Section 1: Extension Request

A detailed description of the extension request, including the desired time period for the extension. The state must confirm there are no changes to the current waiver plan for the new waiver period that are otherwise not allowable under the state's STCs, or that could impact any of the section 1332 statutory guardrails or program design.

Waiver Request and Timeframe

The State of Wisconsin, through the Office of the Commissioner of Insurance, submits this 1332 State Innovation Waiver (1332 waiver) extension request to the Centers for Medicare & Medicaid Services (CMS) in the United States Department of Health and Human Services (HHS), and the Department of Treasury (DOT). Currently, Section 1312(c)(1) of the Affordable Care Act (ACA) is waived for years 2019 through 2023 to allow the state to implement a state-based reinsurance program: Wisconsin Healthcare Stability Plan (WIHSP). To allow for the continued operation of WIHSP, this 1332 waiver extension request is for an additional five-year period beginning January 1, 2024 and ending December 31, 2028.

In accordance with Wis. Stat. § 601.83 (1) (a), OCI requests the 1332 waiver extension without substantiative change. The extended timeframe is the only change to the existing 1332 waiver. Additionally, the waiver extension will continue to abide by the Specific Terms and Conditions set forth by CMS, adhere to the guardrails established by Section 1332, as well as principles laid out in guidance from CMS, and will not affect other provisions of the ACA.

Wisconsin Healthcare Stability Plan Overview

Background

On February 27, 2018, bipartisan legislation was signed into law establishing WIHSP. The new law, 2017 Wisconsin Act 138 ("Act 138"), set forth the operational structure for WIHSP, contingent upon an approved 1332 waiver. In July 2018, Wisconsin received 1332 waiver approval, effective January 1, 2019.

WIHSP is funded with both federal pass-through dollars and state general purpose revenue (GPR). The state appropriation is sum sufficient, meaning the state pays the difference between the federal pass-through amount and total WIHSP claims for a given year. As enacted, Act 138 limited total WIHSP funding to $200 million, unless the Legislature's Joint Finance Committee approved a higher amount. The 2021-23 state budget, signed by Governor Evers in July 2021, increased that amount to $230 million beginning in 2022. This bipartisan effort to increase funding for the program demonstrates the state's commitment to ensuring WIHSP continues to hold down rates and contribute to affordable health care coverage options in Wisconsin.

Beginning in May 2022, OCI began collecting additional claims data from insurers to better understand the claims costs that the program is offsetting. The data reflects claims experience in the following areas:

- The most common and most costly medical conditions.
- The most common and most costly prescription drugs.
- The care management programs insurers have in place to manage health care costs and utilization.

The template used to collect this data is included as Attachment I to this application.

WIHSP Administration

OCI implements WIHSP within its operating budget. Full-time, permanent staff working at OCI prior to WIHSP were leveraged to implement the program. The WIHSP Administrator is responsible for insurer communications, claims management, audit functions, and federal reporting. OCI's accounting staff disburses payments to insurers. An actuarial firm is engaged for assistance in setting payment parameters, completing pass-through reports, and informing the annual report. Direct OCI support of WIHSP operations allows all federal pass-through dollars, along with state general purpose revenue, to directly fund WIHSP claims and positively impact the market.

Key dates involved in the operation of WIHSP:

- Payment parameters must be established no later than May 15 of the year before the applicable benefit year.
- Final WIHSP claim reports, reflecting EDGE server data, are due to OCI no later than May 15 of the year following the applicable benefit year (payments are made based on these reports).
- WIHSP payment to insurers must occur no later than August 15 following the applicable benefit year.

Payment parameters for plan years 2019 through 2021 were established assuming a $200 million program, however, WIHSP claims for each of the first two years totaled under $200 million. To further drive down premium rates for consumers, payment parameters were adjusted from 2019 to 2020 to incorporate lower cost claims and better target the $200 million funding limit. However, the COVID-19 pandemic resulted in fewer medical procedures and lower than expected claim volume in 2020. WIHSP payment parameters for 2019 through 2023 are indicated below. The 2022 and 2023 payment parameters support a $230 million program. Total WIHSP claims for years available at the time of application are also included.

Year	Payment Parameters	Total WIHSP Claims Paid	WIHSP Maximum
2019	Attachment Point: $50,000 Coinsurance Rate: 50% Reinsurance Cap: $250,000	$174,254,353.91	$200 Million
2020	Attachment Point: $40,000 Coinsurance Rate: 50% Reinsurance Cap: $175,000	$183,483,625.85	$200 Million
2021	Attachment Point: $40,000 Coinsurance Rate: 48% Reinsurance Cap: $175,000	Not available until July 2022	$200 Million
2022	Attachment Point: $40,000 Coinsurance Rate: 50% Reinsurance Cap: $175,000	Not available until July 2023	$230 Million
2023[1]	*Assumes American Rescue Plan Act (ARPA) subsidies are not extended into 2023* Attachment Point: $40,000 Coinsurance Rate: 44.81% Reinsurance Cap: 175,000 *Assumes ARPA subsidies continue through 2023* Attachment Point: $45,000 Coinsurance Rate: 50% Reinsurance Cap: $141,685	Not available until July 2024	$230 Million

Section 2: Program Outcomes

Preliminary evaluation data and analysis of observable outcomes from the existing waiver program, which includes quantitative or qualitative information on why the state believes the program did or did not meet the statutory guardrails. For example, the state may provide information comparing the originally projected premium reductions or expected claims reimbursements to the actual values of the outcomes observed.

[1] Given the uncertainly around an ARPA extension, OCI is requiring insurers to submit two uniform rate review templates; one assuming ARPA expires at the end of 2022 and the other assuming subsidies continue through 2023. A set of payment parameters was established for each scenario and will be used by insurers when establishing their plan year 2023 rates.

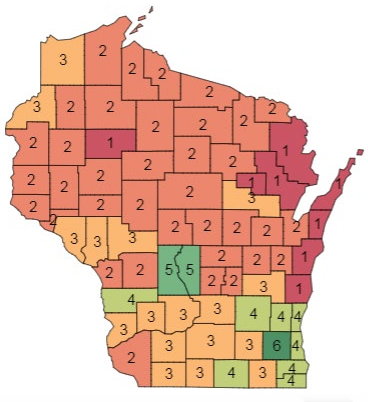
Evaluation and Data Analysis & Adherence to the Statutory Guardrails

Refer to Attachment II: Wakely Section 1332 State Innovation Waiver Extension Actuarial and Economic Analysis

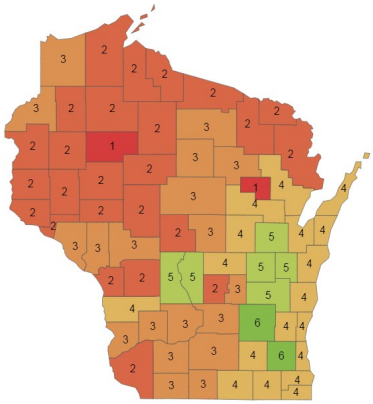
Increased Competition and Consumer Choice

In addition to premium stability, insurers have re-entered the market and expanded service areas. This has created additional competition and increased consumer choice across the state. In 2022, fifteen insurers are participating in the individual market, with fourteen of those offering coverage on the Federally Facilitated Marketplace (FFM).

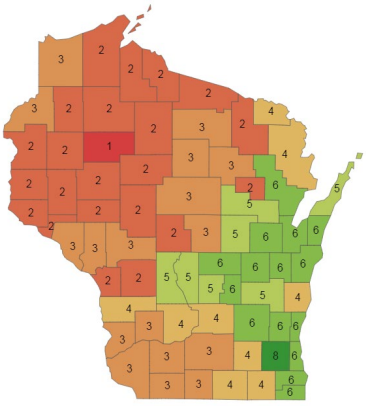
Maps reflecting plan years 2019, 2020, 2021, and 2022 are displayed below to demonstrate the increase in the number of insurer options across counties since WIHSP was implemented.



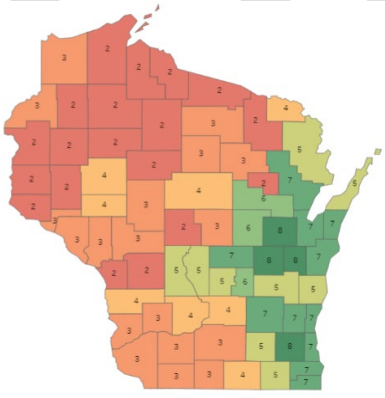
2019



2020



2021



2022

Section 3: Updated Economic or Actuarial Analysis for Extension Period

Updated economic or actuarial analyses for the extension period, if the state is aware of changes in state law, the state insurance market, or to the waiver program that are allowable under the STCs and impact waiver assumptions and projections, and that the state has not previously shared with the Departments via its reporting requirements.

Economic and Actuarial Analysis

Refer to Attachment II: Wakely Section 1332 State Innovation Waiver Extension Actuarial and Economic Analysis

Section 4: Evidence of Sufficient Authority under State Law

Evidence of sufficient authority under state law(s) in order to meet the PPACA section 1332(b)(2)(A) requirement for purposes of pursuing the requested extension.

Statutory Authority

As referenced under Section 1, on February 27, 2018, bipartisan legislation was signed into law establishing WIHSP. The new law, 2017 Wisconsin Act 138 set forth the operational structure for WIHSP, contingent upon an approved 1332 waiver. In July 2018, Wisconsin received 1332 waiver approval, effective January 1, 2019.

The statutory language below, Wis. Stat. § 601.83 (1) (a), specifically addresses the ability for OCI to pursue an extension.

> **(a)** The commissioner shall administer a state-based reinsurance program known as the healthcare stability plan in accordance with the specific terms and conditions approved by the federal department of health and human services dated July 29, 2018. Before December 31, 2023, the commissioner may not request from the federal department of health and human services a modification, suspension, withdrawal, or termination of the waiver under 42 USC 18052 under which the healthcare stability plan under this subchapter operates unless legislation has been enacted specifically directing the modification, suspension, withdrawal, or termination. **Before December 31, 2023, the commissioner may request renewal, without substantive change, of the waiver under 42 USC 18052 under which the health care stability plan operates in accordance with s. 20.940 (4) unless legislation has been enacted that is contrary to such a renewal request. The commissioner shall comply with applicable timing in and requirements of s. 20.940.**

Wis. Stat. § 601.83 (1) (h), initially capped WIHSP at $200 million all funds, unless the Joint Finance Committee increased the amount upon the Commissioner's request. In 2021, the statute was

amended to add Wis. Stat. § 601.83 (1) (hm), to increase the WIHSP funding limit to $230 million from all funding sources, starting in 2022.

Statutory references related to WIHSP are noted and linked below.

Healthcare stability plan administration
Wis. Stat. § 601.83

Accounting, reports, and audits
Wis. Stat. § 601.85

Legislative authorization and oversight of requests to federal government
Wis. Stat. § 20.940 (4)

Administrative rule governing WIHSP:
Chapter INS 19, Wis. Admin. Code. https://docs.legis.wisconsin.gov/code/admin_code/ins/19

Section 5: Public Input and Tribal Consultation

An explanation and evidence of the process to ensure meaningful public input on the extension request, which must include:

a. *For a state with one or more Federally-recognized Indian tribes within its borders, providing a separate process for meaningful consultation with such tribes, and providing written evidence of the state's compliance with this requirement;*

b. *Publicly posting the submitted LOI on the state's website to ensure that the public is aware that the state is contemplating a waiver extension request; and*

c. *Publicly posting the waiver extension application on the state's website upon its submission of the waiver extension application to the Departments.*

The state does not have to meet all of the public notice requirements specified for new waiver applications in 31 C.F.R. § 33.112 and 45 C.F.R. § 155.1312 (e.g., holding two public hearings and providing a 30-day comment period) to fulfill paragraph (5) above. However, the state must ensure and demonstrate there was an opportunity for meaningful public input on the extension request. For example, the state may choose to hold one public hearing or provide an amended or shorter comment period, or some combination of both. If the state holds one public hearing, it can use its annual public forum for the dual purposes of gathering input on the existing waiver as well as the extension application request.

1332 Waiver Extension Hearing and Public Comment Period

As required, the Letter of Intent is posted on the OCI website: https://oci.wi.gov/Documents/AboutOCI/WIHSP_LOI_1332WaiverExtension_6.1.21.pdf

The draft waiver extension application was posted to the OCI website on May 23, 2022. A public notice for a joint hearing on the extension application and the WIHSP annual form, as well as a 30-day comment period on the application, was posted to the OCI website on May 23, 2022. The notice was also distributed to anyone who is signed up to receive OCI meeting notifications via email and was physically posted to the OCI official open meetings bulletin board located in the lobby of the office building, as well as to the Wisconsin Public Meetings, Notices, & Minutes website https://publicmeetings.wi.gov/. The following language is included on all of our meeting notices: "If you need special accommodations due to a disability, please call the OCI contact person on this notice. For the hearing impaired, call 711 and give them the OCI contact person's number as listed in this notice."

Hearing and Comment Period Summary

NOTE: This section will be completed following the public hearing scheduled for July 6, 2022.

Tribal Consultation

NOTE: This section will be completed following the tribal consultation scheduled for June 7, 2022.

Wisconsin Health Care Stability Plan
Most Common and Most Costly Conditions

Reporting Reflects 2021 Benefit Year

Wisconsin Office of the COMMISSIONER OF INSURANCE

P.O. Box 7873
Madison, WI 53707-7873
(OCI 46-011)

Company Name

Table 1a. Ten Most Common ICD-10 Primary Diagnosis Categories Among Enrollees with Claims Reimbursed by WIHSP*

Rank	Diagnosis Category**	Description of Category***	Total Number of Enrollees****	Total Paid Claims*****
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
Total			**0**	**$0.00**

Table 1b. Ten Highest Cost ICD-10 Primary Diagnosis Categories Among Enrollees with Claims Reimbursed by WIHSP (i.e. highest spend for a particular diagnosis category across all WIHSP enrollees)

Rank	Diagnosis Category**	Description of Category***	Total Number of Enrollees****	Total Paid Claims*****
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
Total			**0**	**$0.00**

* "Most Common" refers to claims occurring most often across enrollees

**A diagnosis category refers to the first three characters of the primary diagnosis (e.g., diagnosis of E11.3 and E11.4 would be grouped together as E11)

Do not include preventative services required to be covered under the Affordable Care Act. https://www.federalregister.gov/documents/2015/07/14/2015-17076/coverage-of-certain-preventive-services-under-the-affordable-care-act

***Example: If the diagnosis category is E11, the description would be "Type 2 Diabetes"

****Include WIHSP eligible enrollees with at least one paid claim included in the referenced diagnostic categories. An enrollee may be included in multiple diagnostic categories.

*****Total paid claims reflect insurer payments for the identified category for the enrollees included in column D

Wisconsin Health Care Stability Plan
Care Management Strategies Report

Reporting Reflects 2021 Benefit Year

Wisconsin Office of the COMMISSIONER OF INSURANCE

P.O. Box 7873
Madison, WI 53707-7873
(OCI 46-011)

Company Name

Care Management Strategies for Top Five Diagnosis Categories in Table 1a. under the "Conditions" tab

Rank	Diagnosis Category	Description of Category	Care Management Strategy (Brief Summary)*	Number of WIHSP Eligible Enrollees Participating**
1				
2				
3				
4				
5				

Care Management Strategies for Top Five Diagnosis Categories in Table 1b. under the "Conditions" tab.

Rank	Diagnosis Category	Description of Category	Care Management Strategy (Brief Summary)*	Number of WIHSP Eligible Enrollees Participating**
1				
2				
3				
4				
5				

*Include a description of each initiative or program the insurer undertook to manage the costs and utilization of WIHSP eligible enrollees with claims falling within the listed ICD-10 Diagnosis Categories.
If the same initiative or program applies to more than one diagnosis category, insurers may provide one summary and refer back to it under the other diagnosis categories it applies to.
The description should include how the target population is identified, goals and outcomes of the initiative, and activities undertaken to evaluate the effectiveness of the initiative.
Insurers may include an explanation as to why participation in a care management program is high or low. Where no care management strategy is offered, insurers should indicate "No strategy in place" along with a brief explanation as to why that is.
**Number of enrollees (covered lives) with claims eligible for WIHSP payment who are participating in the care management strategy.

Wisconsin Health Care Stability Plan
Prescription Drug Report

Reporting Reflects 2021 Benefit Year

Wisconsin Office of the COMMISSIONER OF INSURANCE

P.O. Box 7873
Madison, WI 53707-7873
(OCI 46-011)

Company Name

Table 2a. Ten Most Common Prescription Drugs Among Enrollees with Claims Reimbursed by WIHSP*

Rank	Prescription Drug**	Marketing Name (if applicable)	Total Number of Enrollees***	Total Paid Claims****
Example	Adalimumab	Humira		
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
Total			**0**	**$0.00**

Table 2b. Ten Highest Cost Prescription Drugs Among Enrollees with Claims Reimbursed by WIHSP (i.e. highest spend for a particular Rx drug across all WIHSP enrollees)

Rank	Prescription Drug**	Marketing Name (if applicable)	Total Number of Enrollees***	Total Paid Claims****
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				

Total			**0**	**$0.00**

*"Most common" refers to claims occurring most often across enrollees.

** Prescription drugs may be aggregated at the National Drug Code (NDC) level.

***Include enrollees with at least one claim for the referenced prescription drug. An enrollee may be included in the count for multiple prescription drugs listed in the top 10.

****Total paid claims reflects insurer payments for the identified category for the enrollees included in column D.

wakely.com

State of Wisconsin

Section 1332 State Innovation Waiver Extension
Actuarial and Economic Analysis

April 27, 2022

Prepared by:
Wakely Consulting Group, LLC

Julie Peper, ASA, MAAA
Principal

Michael Cohen, PhD
Director

Matt Cornish
Senior Actuarial Analyst

Table of Contents

Introduction

The individual health insurance market in the state of Wisconsin ("Wisconsin") has shown signs of improving since the approval and introduction of its reinsurance based 1332 waiver. In the four years preceding the introduction of the reinsurance program, Wisconsin's benchmark plan premium increased nearly 20% per year. In the four years since the introduction of the reinsurance program, the benchmark premiums has decreased 7% on average.[1]

In order to mitigate further potential destabilization, Wisconsin submitted a Section 1332 State Innovation Waiver ("1332 waiver" or "waiver") effective for the 2019 benefit year. The Affordable Care Act (ACA) permits states to waive certain provisions of the ACA in order to increase access to affordable coverage. This waiver was approved by both of the Secretaries of Health and Human Services (HHS) and Treasury. Since the waiver went into effect, Wisconsin's rates have been significantly lower than they otherwise would have been. To maintain the gains Wisconsin's 1332 waiver achieved, it is applying for a five-year extension to its waiver. This document is the actuarial and economic analysis for the extension application.

Pursuant to 45 CFR 155.1308(f)(4)(i)-(iii), in order for Wisconsin's 1332 waiver to be approved, the state must demonstrate that the waiver satisfies the four "guardrails". The four guardrails are: coverage, affordability, comprehensiveness, and deficit neutrality.

The waiver, as proposed, would continue to reduce premiums through the continuation of a state-based reinsurance program that started in 2019. The reinsurance program would operate in the same fashion as the current 1332 waiver operates in that it would reimburse insurers for a proportion (coinsurance amount) of high-cost enrollee claims between a lower bound (attachment point) and an upper bound (cap). The reinsurance program will be funded, contingent on approval of the 1332 waiver, through a sum sufficient state appropriation and federal pass-through funds, not to exceed $230 million all funds per plan year for the 2024 to 2028 plan years.

The program will continue to waive the single risk pool provision under the current reinsurance program. The goal of the waiver is lower premiums and increased access and coverage to underserved and under-subsidized populations, which would incentivize enrollees to join or remain in the market. Reducing premiums for those purchasing insurance coverage in the individual market will also reduce the amount of Premium Tax Credits (PTCs) Wisconsinites receive over the next five years. PTCs are subsidies for eligible enrollees that can be used to reduce the cost of premiums for plans purchased through the Exchange. The amount of PTCs available for eligible consumers are benchmarked to the second lowest cost silver plan (SLCSP) available on the Exchange. If premiums are reduced (including the SLCSP), then the amount the Federal Government will be required to pay in PTCs will also be reduced.

[1] https://www.kff.org/health-reform/state-indicator/marketplace-average-benchmark-premiums/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D

This report estimates the savings on aggregate PTC amounts. The waiver requests that Wisconsin receive the amount of federal savings from PTCs, net of other costs, alongside savings attributable to the current approved 1332 waiver. By reducing premiums and also by using pass-through funding to support affordability, the waiver seeks to continue the access to affordable and comprehensive coverage that the current waiver affords the state.

The State of Wisconsin's Office of the Commissioner of Insurance ("OCI") retained Wakely Consulting Group, LLC ("Wakely") to analyze the potential effects of the proposed 1332 waiver extension. This document has been prepared for the sole use of Wisconsin. Wakely understands that the report will be made public and used in the 1332 waiver extension process. This document contains the results, data, assumptions, and methods used in our analyses and satisfies the Actuarial Standard of Practice (ASOP) 41 reporting requirements. Using the information in this report for other purposes may not be appropriate.

This actuarial report is a supplement to Wisconsin's 1332 waiver extension application. It addresses the requirements of 45 CFR 155.1308(f)(4)(i)-(iii) for applying for a 1332 waiver, including actuarial analyses and actuarial certifications, economic analyses, and data and assumptions. Other sections of the waiver contain the non-actuarial portions of the 1332 waiver requirement. Reliance on this report should include a review of the full report by individuals with appropriate qualifications.

Background

Given that the proposed 1332 waiver extension would continue to operate in a similar manner as the current 1332 waiver program, it is relevant to review the extent to which the current waiver has met the four guardrails. In order for a 1332 wavier application to be approved by HHS, it must meet four ACA section 1332 "guardrails." These guardrails specify that the wavier must provide for coverage that is at least as comprehensive as the coverage currently offered on the state's exchange; the protections against excessive out-of-pocket spending by members (such as cost-sharing) in the wavier must result in plans that are at least as affordable as plans currently offered on the state's exchange; the wavier must provide coverage to at least a similar number of residents as current plans; and, the wavier must not result in an increase to the federal deficit.

Comprehensiveness

The current 1332 wavier in effect for Wisconsin did not mandate any changes to Essential Health Benefits ("EHBs").[2] Issuers offering plans in the state were and are still required to offer all mandated EHBs in order to be Exchange-compliant. Similarly, the extension of this waiver will not affect the current EHB mandate or other types of coverage in the state (such as Medicaid or Children's Health Insurance Program) and therefore the wavier extension will allow for plans that are as comprehensive as current plans in Wisconsin.

[2]https://oci.wi.gov/Documents/Regulation/WI%201332%20Waiver%20Application%20and%20All%20Attachments.pdf

Affordability

As part of an analysis for the Wisconsin reinsurance program that is the subject of this 1332 wavier extension, Wakely examined the effect of the wavier on 2022 average premiums for non-group plans. Overall, Wakely estimated that the average premium paid by Wisconsinites was reduced by approximately 13.2% due to the effect of the wavier.[3] Furthermore, a study commissioned by HHS concluded that the wavier reduced premiums (compared to if the waiver was not in place) by 9.9%, 11.0%, and 13.0% in 2019, 2020, and 2021 respectively.[4] The extension of the wavier is expected to have a similar impact to the premiums paid by Wisconsinites, and therefore the extension will provide for plan options that meet the affordability guardrail.

Table 1. Member Premium Changes with and without Reinsurance[5]

	2019	2020	2021	2022
Member Premium Change with Reinsurance	-3.3%	-3.2%	-3.4%	-0.3%
Member Premium Change without Reinsurance	7.8%	9.3%	10.4%	14.8%
Impact of Reinsurance	**-10.3%**	**-11.4%**	**-12.5%**	**-13.2%**

Coverage

Wakely also analyzed the effect of the wavier on membership and found that the wavier caused an increase in enrollment of 0.9%.[6] In addition, the HHS study notes that the number of carriers offering plans on the Exchange steadily increased from 2019 to 2021. These factors indicate that the wavier extension is likely to continue to improve access for Wisconsinites to health care.

Deficit Neutrality

The reinsurance program under the current 1332 wavier is funded by federal pass-through funds and Wisconsin state general purpose revenue, which is comprised of taxes and receipts collected by the state and does not include federal funds. Furthermore, the reduction of premiums paid by members as well as the improved morbidity as a result of greater access to healthcare results in fewer federal funds spent on Advance Premium Tax Credits (APTC) in the state. These results serve to reduce the federal money spent and have a positive effect on the federal deficit. The

[3] https://www.cms.gov/CCIIO/Programs-and-Initiatives/State-Innovation-Waivers/Downloads/1332-Data-Brief-Aug2021.pdf

[4] Ibid

[5] The Premium Change with Reinsurance and the Impact of Reinsurance were calculated based on issuer rate filings and weighted by historical enrollment. The Premium Change without Reinsurance was calculated from these two numbers. The Impact of Reinsurance may vary from the CMS reported impact due to different weightings used in the calculations.

[6] ibid

extension of the 1332 waiver is expected to continue this trend and therefore no increase to the federal deficit is anticipated.

Analysis Results - Extension

As described previously, the four guardrails for approval of a 1332 waiver application are requirements for: 1) Coverage; 2) Affordability; 3) Comprehensiveness; and 4) Deficit Neutrality.

Wakely's analysis estimated that the waiver extension will meet each of the four guardrails in each of the five years of the waiver. The high-level guardrail results are shown in the table below. Detailed results for all five years of the waiver are included in Appendix B. Our analysis shows that the positive guardrail effects will continue with the waiver extension.

Throughout this report, the estimates reflect the current law and thus assume that provisions of the American Rescue Plan (ARP), particularly the enhanced premium subsidies for individuals purchasing health coverage on the Exchange, are not in effect in 2023 and beyond unless otherwise noted. Similarly, as the family glitch regulation has not been finalized the impact is not included, unless otherwise noted. Below and in Appendix A, we discuss the results of alternative scenarios to provide a range of possible outcomes due to the uncertainty of the assumptions included in this report, including three scenarios in which the enhanced premium subsidies available under ARP continue for the waiver period.

Table 2: High-Level Guardrail Results

Guardrail	Effect of Waiver
Coverage	Increases enrollment by 0.8% to 1.0%
Affordability	Reduces premiums by 9.5% to 11.4%
Comprehensiveness	No Impact
Deficit Neutrality (5-year)	$901 million savings

Coverage, Affordability, and Comprehensiveness

The waiver is expected to decrease premiums in the individual market. The reduction in premiums is expected to increase overall coverage. Research from the Congressional Budget Office (CBO)[7] and the Council of Economic Advisors (CEA)[8] has noted that premium decreases result in enrollment increases. As the waiver results in decreased premiums it is also expected to improve affordability for consumers. Finally, the increase in premium and cost-sharing subsidies would also increase coverage and improve affordability. The waiver would have no effect on the

[7] http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/87xx/doc8712/10-31-healthinsurmodel.pdf

[8] https://obamawhitehouse.archives.gov/sites/default/files/page/files/201701_individual_health_insurance_market_cea_issue_brief.pdf

comprehensiveness of coverage (beyond increasing the number of people with comprehensive coverage). EHB requirements will not be affected by the waiver. Coverage in the individual market would provide the same benefits under the waiver as they would without it.

Deficit Impact

The following table displays the impact of the waiver extension's individual market elements, relative to the baseline, for each of the 5 years of the program. Based on the best estimate assumptions, the waiver will reduce premiums and increase individual enrollment, and have no negative effect on the federal deficit. Additional details regarding the 5-year estimates are shown in Appendix C.

Table 3: Impact of Waiver Extension on Premium, Enrollment, and Federal Deficit

	2024	2025	2026	2027	2028
Premium	-11.4%	-10.9%	-10.4%	-10.0%	-9.5%
Individual Enrollment	1.0%	0.9%	0.8%	0.8%	0.8%
Federal Savings ($ millions)	$180	$180	$180	$180	$180

Over the 5-year window, the extension's individual market elements provide savings to the Federal Government due to PTC savings net of other federal revenues. The details of the federal savings over the 5-year window are shown in Appendix B.

The best estimate assumptions resulted in a reduction in premiums of 11.4% due to the reinsurance program and resulting improvement in morbidity.

Scenario Testing

Wakely performed scenario testing, which primarily involved changing enrollment, premiums, and whether provisions under the ARP continued beyond 2022. These assumptions were chosen for scenario testing, as they are significant drivers of the results of the analysis. Scenario 1 is the best estimate scenario described above. Scenario 2 (low) assumed enrollment is far lower than the best estimate. There is considerable uncertainty as to timing of the PHE ending, ARPA subsidies, state of economy/uninsured rate and combined effects that could have on enrollment. Given the substantial uncertainty, Wakely used Wisconsin's average enrollment in 2020 to illustrate the effects of lower enrollment on premiums and federal savings. Wakely also provided estimates that aligned with high enrollment. In this scenario Wakely assumed the ARPA subsidy levels continue into 2024. It also assumes the Department of the Treasury finalizes proposed changed to the family glitch which results in higher enrollment due to greater uninsured taking up coverage as well as a shift from unsubsidized to subsidized to account for the change in APTC eligibility. The end of PHE was assumed to align with best estimate or July 2022. Finally, premium trends are assumed to be higher than those estimated for the best. Further details regarding the

scenario testing can be found in Appendix A and Appendix B. The high-level results of the scenario testing are shown in the table below. Although a variety of alternative scenarios were tested, the basic conclusions did not alter significantly from the best estimate scenarios.

Table 4: 2024 High-Level Results of Scenario Testing

Scenario	1	2	3
Description	No ARP - Best	No ARP - Lower Enrollment	ARP - Higher Enrollment
Total Change in Premiums relative to Baseline	-11.4%	-11.9%	-9.9%
Estimated Net Federal Savings (millions)	$180	$174	$179

Appendix A – Data and Methodology

2024 Baseline Enrollment and Premium Estimates

Wakely analyzed the 2021 and 2022 individual market data, including average enrollment, premium, and claims data. Then Wakely estimated the 2024 market. To do this, Wakely completed the following steps:

1. Wisconsin's insurers submitted 2021 and emerging 2022 enrollment, claims (2021 only), premium, and APTC information. Minor adjustments were made to obtain the estimated average enrollment and premium estimates for 2022. Adjustments accounted for attrition in enrollment throughout the year.

2. 2023 premium amounts were estimated from the 2021 and 2022 base data. 2023 premium increases were based on issuer data trended to 2023, and an estimate of target loss ratio based on 2022 URRT data. Similar adjustments were made to gross premiums for APTC members. Net premiums were adjusted both for inflation increases, and for scenarios where ARP is expiring (including the best estimate), adjustments to account for market changes.

3. Given the regulatory uncertainty around the American Rescue Plan (ARP) and the timing of the end of the public health emergency (PHE), we assumed that for the best scenario the ARP would expire at the end of 2022 and the PHE (and subsequent Medicaid redetermination) would end in July 2022. It should be noted that similar level of COVID claims are assumed in 2023 compared to 2021, keeping the claims trends close to 2019 to 2021 average trend. This scenario aligns with current law/expectations.

4. To estimate the 2024 baseline, Wakely estimated continued enrollment attrition due to the ending of ARP as well as attrition of enrollees that gained individual market coverage due to Medicaid redetermination. Wakely also increased premiums by a reasonable trend amount (6%) and net premiums for APTC members were increased by 3%.

Waiver Effects

1. To estimate pass-through amounts and impact of the waiver, Wakely developed a 2024 baseline market without reinsurance for both premiums and enrollment. Using these assumptions and the various total funding amounts, the pass-through was estimated, with the resulting funding being the state amount. One key assumption in this calculation was the impact to premiums due to reinsurance. Wakely made several assumptions:

a. Wakely assumed that the premium impact would be reduced by the amount of reinsurance funding, variable non-benefit expense loads, and modest morbidity improvements.

b. The impact to the SLCS plan, on which the APTCs and pass-through are based, was assumed to be the same as the overall impact to the market. If the premium impact to the SLCSPs is more than the market (as it was in 2021), the pass-through could be higher. If the premium impact to the SLCSPs is lower than the market (as it was in 2020), the pass-through could be lower. In the first few years of the waiver, the impact to the SLCS plan has been similar to the market average.

c. A PTC adjustment was assumed to reduce the APTC savings to PTC savings. For the ARP ends scenarios, a PTC adjustment similar to pre-ARP years was used. For the ARP continues scenario, an adjustment similar to 2021 was used.

d. Finally, the difference in Federally-facilitated Exchange User Fees was subtracted from the Federal savings to determine the estimated pass-through. This aligns with the Federal methodology for calculating pass-through amounts, which calculates the amount of Federal savings from lower APTCs but then reduces those savings with the amount of user fee revenue lost due to lower premiums via reinsurance. For purposes of the analysis, it was assumed that the user fees would be 2.75% in 2024 and future years. A lower user fee would increase the amount of Federal pass-through, all things equal, since it would increase lost Federal revenue.

The following table shows the historical and estimated enrollment and premiums with the reinsurance waiver.

Table 5: 2021 to 2023 Average Enrollment and Premium Data Best Estimates with Waiver

	2021 Actual	2022 Estimated	2023 Estimated
Average Annual Enrollment			
Total Individual Market	198,488	215,600	208,287
Exchange	180,427	198,149	191,014
APTC	154,494	175,039	164,169
Non-APTC Exchange	25,933	23,110	26,845
Off-Exchange	18,061	17,452	17,273
Total Non-APTC	43,994	40,561	44,117
Premiums PMPM			
Total Individual Premium	$622.58	$628.42	$733.80
Gross Premiums for APTC Members	$650.62	$653.08	$753.54
Net Premiums for APTC Members	$108.17	$128.54	$143.24

	2021 Actual	2022 Estimated	2023 Estimated
APTC	$542.45	$524.54	$610.30
Total Annual Dollars[9]			
Total Individual Premiums (millions)	$1,483	$1,626	$1,834
Total APTCs (millions)	$1,006	$1,102	$1,202

Beyond 2024

For years beyond 2024, Wakely made the following assumptions specific to the best estimate, where ARP does not extend past 2022:

1. Baseline premiums (both total individual and on-Exchange) as well as Gross Premium Amounts for individuals with APTC were trended by the Office of the Actuaries National Health Expenditure spending for each year of the 5-year window, starting in 2025.[10]
2. APTC Net Premiums were increased 3.0% annually after 2023 to account for indexing.
3. Enrollment was assumed constant. That is, the impact of ARP and the end of the PHE are assumed to be complete as of 2024.
4. The impact of reinsurance was assumed to reduce claims by $230 million in each year.

Alternative Scenarios

Wakely estimated two additional 2024 scenarios to analyze the robustness of the initial findings. Instead of analyzing various scenarios, Wakely focused on analyzing a “low” and a “high” scenario where many of the assumptions would result in lower/higher APTC savings. These scenarios are intended to be end points for a reasonable range of scenarios.

The first alternative scenario, the “low” scenario, assumes lower enrollment than the best scenario. Enrollment could be lower based on the exact timing of the ending of the PHE, the exact economic conditions at the time of redetermination ending, as well as the ability for Exchanges to attract newly eligible enrollees. Given the uncertainty, Wakely set enrollment for this scenario equal to 2019 enrollment. Additionally, Wakely adjusted premiums to increase at a lower rate than in the best estimate. Further, net premiums were estimated to be higher (and thus, APTCs lower) to account for the potential for higher attrition among low income enrollees.

[9] Note total premiums and APTCs are rounded.

[10] https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/ Table 17. Premiums were trended by spending per enrollee for direct purchase.

The second alternative scenario, the “high” scenarios, assumes the enhanced premium subsidy provisions under ARP are extended beyond 2022. We reflected an increase in enrollment as a result. We also increased enrollment to account for the potential for the family glitch regulation, which would allow dependents to be eligible for subsidies. Premiums were assumed to be higher and net premiums lower (and thus, APTCs higher) than the best estimate.

Each scenario produced a decrease in the state average premiums PMPM in 2024 between 9.9% and 11.4%. In both alternative scenarios, the lower premiums resulted in more enrollees in the individual market. Finally, in both alternative scenarios, the combined lower premiums (including decreased APTC PMPMs) resulted in fewer Federal dollars being spent in 2024 as a result of the reinsurance program and waiver extension elements relative to the baseline.

Scenario 1 is the best estimate scenario. This scenario was used for the 5-year economic analysis.

Table 6: Summary of Alternative Scenario Results for 2024

Scenario Description	1 No ARP - Best	2 No ARP- Low	3 ARP- High
Baseline			
Total Individual Enrollment	196,800	193,200	207,800
Exchange Enrollment	179,800	175,700	190,000
APTC Enrollment	158,800	150,300	169,800
Total Individual Premium PMPM	$875.24	$850.47	$945.95
Exchange Premium PMPM	$886.73	$861.64	$919.12
APTC PMPM	$751.25	$718.44	$812.46
Total Individual Premiums (millions)	$2,067	$1,972	$2,359
Total APTCs (millions)	$1,432	$1,296	$1,655
With Reinsurance Waiver			
Reduction in Premiums	-11.4%	-11.9%	-9.9%
Total Individual Premium PMPM	$775.82	$749.08	$851.95
Exchange Premium PMPM	$786.00	$758.92	$827.79
APTC PMPM	$649.15	$614.32	$719.89
Percent Change in Total Enrollment	1.0%	1.1%	0.8%
Total Individual Enrollment	198,700	195,400	209,400
Exchange Enrollment	180,900	177,000	190,900
APTC Enrollment	158,800	150,300	169,800
Total Individual Premiums (millions)	$1,850	$1,756	$2,141
Total APTCs (millions)	$1,237	$1,108	$1,467
Total Waiver Savings			
Estimated APTC Savings (millions)	$195	$188	$189
Estimated PTC Adjustment	95.6%	95.6%	97.9%
Adjustment for User Fees	($6)	($6)	($6)
Estimated Federal Savings (millions)	$180	$174	$179

Table 7: Baseline Data and Detailed Results after Reinsurance and Waiver Extension, by Year[11]

Description	2024	2025	2026	2027	2028
Baseline					
Total Individual Enrollment	196,800	196,800	196,800	196,800	196,800
Exchange Enrollment	179,800	179,800	179,800	179,800	179,800
APTC Enrollment	158,800	158,800	158,800	158,800	158,800
Total Individual Premium PMPM	$875.24	$913.75	$954.87	$997.84	$1,042.74
Exchange Premium PMPM	$886.73	$925.75	$967.41	$1,010.94	$1,056.43
APTC PMPM	$751.25	$786.37	$824.04	$863.47	$904.74
Total Individual Premiums (millions)	$2,067	$2,158	$2,255	$2,357	$2,463
Total APTCs (millions)	$1,432	$1,499	$1,570	$1,645	$1,724
With Reinsurance Waiver					
Reduction in Premiums	-11.4%	-10.9%	-10.4%	-10.0%	-9.5%
Total Individual Premium PMPM	$775.82	$814.47	$855.61	$898.49	$943.42
Exchange Premium PMPM	$786.00	$825.17	$866.84	$910.28	$955.81
APTC PMPM	$649.15	$684.42	$722.11	$761.44	$802.75
Percent Change in Total Enrollment	1.0%	0.9%	0.8%	0.8%	0.8%
Total Individual Enrollment	198,700	198,500	198,400	198,400	198,300
Exchange Enrollment	180,900	180,700	180,700	180,700	180,600
APTC Enrollment	158,800	158,800	158,800	158,800	158,800
Total Individual Premiums (millions)	$1,850	$1,940	$2,037	$2,139	$2,245
Total APTCs (millions)	$1,237	$1,304	$1,376	$1,451	$1,530
Total Waiver Savings					
Estimated APTC Savings (millions)	$195	$194	$194	$194	$194
Estimated PTC Adjustment	95.6%	95.6%	95.6%	95.6%	95.6%
Adjustment for User Fees	($6)	($6)	($6)	($6)	($6)
Estimated Federal Savings (millions)	$180	$180	$180	$180	$180

[11] Please Appendix B for total federal savings net of federal losses under the reinsurance program.

Appendix B – Guardrail Requirements

Guardrail Impact for the Reinsurance Waiver

Scope of Coverage Requirement

In order for a 1332 waiver to be accepted, the waiver must demonstrate that the changes will provide coverage to at least a comparable number of residents as would have been provided coverage without the waiver. Our analysis estimates that the waiver would provide for at least a comparable number of enrollees (and most likely a greater number of individuals covered). This is due both to premium reductions and to making more individuals eligible for subsidies.

Affordability Requirement

In order for a 1332 waiver to be accepted, the waiver must demonstrate that the changes will provide coverage, premiums, and cost-sharing protections that keep care at least as affordable as would be provided absent the waiver and provide coverage to at least a comparable number of residents as would have been provided absent the waiver. Generally, we expect premiums to be lower than they otherwise would have been each year of the waiver. Cost sharing for plans will remain similar. Our analysis estimates that the waiver would provide for at least as affordable coverage for residents (and most likely greater affordability for residents).

Comprehensiveness of Coverage Requirement

In order for a 1332 waiver to be accepted, the waiver must demonstrate that it will provide coverage that is at least as comprehensive as would be provided absent the waiver. This waiver will not result in any changes to the EHB benchmark or actuarial value requirements and, as such, will not have any impact on the comprehensiveness of coverage for residents. To the extent that additional individuals gain coverage, that will increase the number with comprehensive coverage.

Deficit Neutrality Requirement

PTCS

Since PTCs are benchmarked to the SLCSP, the decrease in premiums (specifically the SLCSP) will result in lower per person PTC amounts in 2023. Since enrollees who have PTCs are generally unaffected by changes in gross premiums, due to the subsidies shielding them from premium increases, the introduction of reinsurance is not expected to decrease the number of enrollees with PTCs. Due to the combination of a non-decreasing number of enrollees with APTCs and a decrease in premiums, which is connected to PTC amounts, Wakely's analysis estimates that the

overall aggregate amount of PTCs will be lower each year over the 5-year window, as shown in the prior Table 7.

Additionally, as can be seen in the following table, each year of the waiver would result in a lower second-lowest cost silver premium and consequently lower premium tax credits.

Table 8: Second Lowest Cost Silver Plan Premium PMPM, with and without Reinsurance and Waiver Extension, by Year

	2024	2025	2026	2027	2028
Baseline					
State Average	$588.17	$613.88	$641.42	$670.28	$700.35
With Waiver					
State Average	$521.35	$547.18	$574.74	$603.54	$633.64

Offsets to PTC Savings

EXCHANGE USER FEE

Since the Exchange in Wisconsin is operated by HHS, there is additional loss of Federal revenue (via Exchange user fee). These costs are included in the calculations as an offset to the PTC savings.

OTHER FEDERAL IMPACTS

Wakely did not directly estimate the impact of the proposed waiver on the collections related to, small business tax credit or income taxes. It is unlikely that any of these would have a significant impact on the overall savings.[12]

GROUP MARKET

A detailed analysis of the group market was not completed. It is not expected that the waiver will have an impact on the large group, federal employee health benefits program, and other health programs in the state. In particular, we do not expect enrollment migration from the group market to the individual market as a result of the waiver. Prior research on the effects of the ACA showed no impact on Employer Sponsored Insurance.[13]

[12] http://mn.gov/commerce-stat/pdfs/mn-1332-actuarial-analysis.pdf

[13]https://dash.harvard.edu/bitstream/handle/1/28547756/Frean%20Gruber%20Sommers%20NEJM%20ACA%20Perspective%202016.pdf?sequence=1

Appendix C - Reliances

The following is a list of the data Wakely relied on for the analysis:

1. Issuer submitted premium and enrollment information for 2021 and emerging 2022 data through June, including APTC information
2. Issuer submitted paid claim continuance tables for 2021
3. 2021 Final Marketplace Special Enrollment Period Report released by CMS[14]
4. National Health Expenditure Data from CMS[15]
5. CMS' Section 1332 Tentative Pass-Through Payments for 2021[16]
6. Method for Calculation of Section 1332 Waiver 2021 Premium Tax Credit Pass-through Key Amounts[17]
7. CBO Modeling of the impact of ARP[18]
8. CBO's Price Sensitivity of Demand for Nongroup Health Insurance[19]
9. CEA's Understanding Recent Developments In The Individual Health Insurance Market[20]
10. Health Insurance Demand and the Generosity of Benefits: Fixed Effects Estimates of the Price Elasticity[21]
11. Buettgens, Matthew and Jessica Banthin. 20221. "Changing the Family Glitch" Would Make Health Coverage More Affordable for Many Families". Urban Institute
12. Wakely made some assumptions in working with the available data. These assumptions may impact the results of the analyses and were reviewed by Wisconsin for reasonability.

[14] https://www.hhs.gov/sites/default/files/2021-sep-final-enrollment-report.pdf

[15] https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsProjected.html

[16] https://www.cms.gov/files/document/key-components1332-pass-througharp-update.xlsx

[17] https://www.cms.gov/CCIIO/Programs-and-Initiatives/State-Innovation-Waivers/Downloads/1332-OTA-Methodology-Pass-through-Amounts-ARP-Sept-2021.pdf

[18] https://www.cbo.gov/system/files/2021-02/hwaysandmeansreconciliation.pdf

[19] https://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/66xx/doc6620/08-24-healthinsurance.pdf

[20] https://obamawhitehouse.archives.gov/sites/default/files/page/files/201701_individual_health_insurance_market_cea_issue_brief.pdf

[21] https://ideas.repec.org/a/bpj/fhecpo/v12y2009i2n3.html

The following are additional reliances and caveats that could have an impact on results:

1. Data Limitations. Wakely received data submissions for full year 2021 and emerging 2022 experience from insurers offering individual market ACA-compliant plans. Wakely relied on the data submitted from all insurers for significant portions of this analysis. We reviewed the data for reasonability, but we did not audit the data. To the extent that the data is not correct, the results of this analysis will be impacted.

2. Political Uncertainty. There is significant policy uncertainty. Future federal actions in regards to American Rescue Plan, silver-loading, prescription drugs or other material changes to the Affordable Care Act could significantly change premiums and enrollment in 2023 or future years. In particular, extension of the American Rescue Plan of passage or other changes to premium subsidies could impact pass-through, enrollment or premiums. State political reactions to changes in the individual market could alter the results.

3. Enrollment Uncertainty. Additionally, there is enrollment uncertainty. Beyond changes to potential rates and policy, individual enrollee responses to these changes also have uncertainty. All of these uncertainties result in limitations in providing point estimates on impacts of a 1332 waiver.

4. Premium Uncertainty. Given that several recent changes to statutory and regulatory rules of the individual market (e.g., American Rescue Plan) have not reached steady state in their effects on the individual market, there is uncertainty in how insurers may respond in their 2023 premiums.

5. COVID and Public Health Emergency Related Uncertainty. There remains significant uncertainty as to the effects the COVID pandemic will have on enrollment, premiums, health care utilization, the economy, and other factors. Additionally, the ending of the Public Health Emergency could result in a number of individuals transitioning from Medicaid to the individual market, and potentially ultimately to the group market.

6. Pass-Through Uncertainty. Ultimately, the Department of Health and Human Services and the Department of Treasury model the pass-through amounts. The extent to which the assumptions, methodology, or calculations differ from Wakely's could result in different amounts.

Appendix D – Disclosures and Limitations

Responsible Actuary. Julie Peper is the actuary responsible for this communication. They are both Members of the American Academy of Actuaries. Julie is a Fellow of the Society of Actuaries and Brittney is an Associate of the Society of Actuaries. They meet the Qualification Standards of the American Academy of Actuaries to issue this report. Michael Cohen and Matt Cornish contributed significantly to the analysis and contents of this report.

Intended Users. This information has been prepared for the sole use of the management of Wisconsin. Wakely understands that the report will be made public and used in the 1332 waiver process. Distribution to such parties should be made in its entirety and should be evaluated only by qualified users. The parties receiving this report should retain their own actuarial experts in interpreting results. This information is proprietary.

Risks and Uncertainties. The assumptions and resulting estimates included in this report and produced by the modeling are inherently uncertain. The extent to which the enrollment experience for 2022 is different than expected results could be affected. Users of the results should be qualified to use it and understand the results and the inherent uncertainty. Actual results may vary, potentially materially, from our estimates. Wakely does not warrant or guarantee that Wisconsin will attain the estimated values included in the report. It is the responsibility of those receiving this output to review the assumptions carefully and notify Wakely of any potential concerns.

Conflict of Interest. Wakely provides actuarial services to a variety of clients throughout the health industry. Our clients include commercial, Medicare, and Medicaid health plans, the federal government and state governments, medical providers, and other entities that operate in the domestic and international health insurance markets. Wakely has implemented various internal practices to reduce or eliminate conflict of interest risk in serving our various clients. Except as noted here, the responsible actuary is financially independent and free from conflict concerning all matters related to performing the actuarial services underlying this analysis. In addition, Wakely is organizationally and financially independent to the State of Wisconsin.

Data and Reliance. We have relied on others for data and assumptions used in the assignment. We have reviewed the data for reasonableness, but have not performed any independent audit or otherwise verified the accuracy of the data/information. If the underlying information is incomplete or inaccurate, our estimates may be impacted, potentially significantly. The information included in the 'Data and Methodology' and 'Reliances and Caveats' sections identifies the key data and assumptions.

Subsequent Events. These analyses are based on the implicit assumption that the ACA will continue to be in effect in future years with no material change. Material changes in state or federal laws regarding health benefit plans or federal subsidy levels may have a material impact on the results included in this report. In addition, many of the assumptions are based on the initial 2022 experiences. Change in emerging 2022 enrollment and experience could impact the results.

Contents of Actuarial Report. This document (the report, including appendices) constitutes the entirety of actuarial report and supersede any previous communications on the project.

Deviations from ASOPs. Wakely completed the analyses using sound actuarial practice. To the best of our knowledge, the report and methods used in the analyses are in compliance with the appropriate ASOPs with no known deviations. A summary of ASOP compliance is listed below:

ASOP No. 23, Data Quality

ASOP No. 41, Actuarial Communication

ASOP No. 56, Modeling