



# **WISCONSIN HEALTHCARE STABILITY PLAN**

**JP Wieske, Deputy Commissioner**

**Office of the Commissioner of Insurance**

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# OVERVIEW

- Wisconsin's Individual Health Insurance Market
- Impact of the Affordable Care Act (ACA)
- Overview of the Wisconsin Healthcare Stability Plan
- Wisconsin's 1332 Waiver Application

# WISCONSIN'S HEALTH INSURANCE MARKET

- Most people receive their health insurance coverage from their employer, Medicare, or Medicaid
- Approximately 5% of Wisconsinites purchase coverage from the individual market
- Group Health Coverage
  - Employer Sponsored Coverage
    - Large Group
    - Small Group
- Individual Health Coverage
  - Private Coverage
    - Individual Health Insurance
  - Public Coverage
    - BadgerCare / Medicaid
    - Medicare

# WHO BUYS INSURANCE IN THE INDIVIDUAL MARKET?

- Non-Medicare eligible retirees
- Individuals not eligible for group coverage
  - Sole proprietors
  - Part-time workers
  - Contract employees
  - No group coverage offered
  - Individuals in-between jobs

# PURCHASING IN THE INDIVIDUAL MARKET

- Plans
  - Bronze (60% actuarial value)
  - Silver (70% actuarial value)
  - Gold (80% actuarial value)
  - Platinum (90% actuarial value)
- Health Insurance Exchange
  - Advanced Premium Tax Credits
    - Covers individuals from 100% to 400% of the federal poverty level (FPL)
    - Based on the cost of the 2<sup>nd</sup> lowest cost silver plan
  - Cost Sharing Reduction Subsidies (CSRs)
    - 100% to 250% FPL
    - Receive a higher actuarial value plan if silver plan is purchased
  - Unsubsidized
    - Over 400% FPL
- Off-Exchange
  - Same plan designs, same cost
  - No subsidies available

# IMPACT OF THE AFFORDABLE CARE ACT

- Implementation of the ACA has resulted in an individual market that is not stable
- Insurers are leaving the market, shrinking service areas, and increasing rates
- Consumers are faced with fewer coverage options and double digit premium increases

# INSURERS ARE LEAVING THE MARKET

## ○ 2017:

- Approximately 37,000 Wisconsinites had to choose a new insurer
  - Humana and UnitedHealthcare left the individual market entirely
  - Managed Health Services, WPS Health Plan, and Physicians Plus left the Exchange

## ○ 2018:

- Approximately 75,000 Wisconsinites had to choose a new insurer
  - Health Tradition left the individual market
  - Anthem and Molina left the Exchange
    - Molina and Anthem offer plans off-Exchange in one county





# RATES ARE INCREASING

## Average rate increases since 2014

	2014-15	2015-16	2016-17	2017-18
Rate Increase	5%	8%	17%	42%

- **2018 average rate increase for 2<sup>nd</sup> lowest cost silver plans was 50%**
  - Much of Northeastern Wisconsin saw an increase of over 100% for the 2<sup>nd</sup> lowest cost silver plan

# RATE INCREASE IMPACT ON CONSUMERS

- Rates below reflect 2<sup>nd</sup> Lowest Cost Silver increases over the past 3 years for a 21-year-old:

	2016	% Change		2017	% Change		2018	% Change
Dane	\$199.03	.30%		\$219.75	10.41%		\$352.78	60.54%
Brown	\$238.46	11.06%		\$304.77	27.81%		\$625.03	105.08%
Milwaukee	\$254.75	-2.12%		\$296.52	16.40%		\$444.20	49.80%
Eau Claire	\$288.57	11.97%		\$349.02	20.95%		\$462.59	32.54%

# RATE INCREASE IMPACT ON CONSUMERS

- **Many individual market consumers are insulated from rate increases**
  - Federal tax credits are available to individuals with income between 100% and 400% FPL
  - 83% on-Exchange consumers accessed federal tax credits to offset their premium expenses
  - Rate increases result in higher federal tax credit amounts, NOT increased consumer costs
    - 2<sup>nd</sup> lowest cost silver plan rates are used in determining federal subsidy amounts
- **Thousands of other individual market consumers experience significant rate increases**
  - Incomes over 400% FPL
  - Coverage purchased off-Exchange

# WHY ARE RATES INCREASING AND INSURERS LEAVING?

- Worsening risk pool
  - Higher percentage (34%) of older residents (55-64) than the national average
  - Lower percentage (16%) of younger residents (26-34) than the national average
- High Medical Loss Ratios (MLR) - percentage of premiums paid for direct medical care
- ACA contemplated an 80% MLR
  - 2014 insurers had a 91% MLR
  - 2015 insurers had a 101% MLR
  - 2016 insurers had a 94% MLR
- The net result was insurer losses in the individual market of more than \$400 million in the first three years

# WISCONSIN HEALTHCARE STABILITY PLAN

- Announced by Governor Walker on January 24, 2018 at the 2018 State of the State Address
  - Senate passed on February 20, 2018; bi-partisan vote
  - Assembly passed on February 20, 2018; bi-partisan vote
  - Signed by Governor Walker on February 27, 2018
    - Enrolled as 2017 Wisconsin Act 138

# WISCONSIN HEALTHCARE STABILITY PLAN

- The Plan has three main goals:
  1. Keep or expand consumer choice
  2. Lower the impact of premium increases
  3. Stabilize the individual market
- The Healthcare Stability Plan will not solve all of the problems in the individual market
- A federal law change is required to make most of those changes

# WHAT IS THE HEALTHCARE STABILITY PLAN?

- Allows Wisconsin to apply for a “1332 State Innovation Waiver”
  - The 1332 Waiver process allows states to make changes to the ACA provided:
    - Coverage is as comprehensive and affordable as it was without a waiver;
    - Coverage is available to at least a comparable number of state residents as would be provided absent the waiver; and
    - No increase to the federal deficit.
- Waivers can be funded by “pass through dollars”
  - If the federal government will save money it would have otherwise spent in subsidies absent the waiver, the state can use those “pass through dollars” to help fund the program

# HEALTHCARE STABILITY PLAN

- 2017 Wisconsin Act 138 allows OCI to administer a \$200 million reinsurance program
  - Wisconsin would be the 4<sup>th</sup> state to run a program after Alaska, Minnesota, and Oregon
  - The actuarial report by Wakely estimates the state will receive approximately 85% of the cost paid through pass through dollars
  - The federal government will fund approximately \$170 million of the cost (pass through funds)
  - The state will be required to fund approximately \$30 million plus administrative costs



# WHAT IS THE HEALTHCARE STABILITY PLAN?

- The plan creates a “reinsurance” program to cover costs in the individual market
  - Reinsurance is insurance for insurance companies
- The program would provide coverage for claims between \$50,000 and \$250,000
- Under the program, the state would pay between 50% and 80% (likely between 50-60%) of those costs up to \$200 million

# HEALTHCARE STABILITY PLAN

- The program will reduce Wisconsin consumer premiums and expand coverage
  - It is estimated that premiums will be approximately 10% lower in 2019 than the projected increase without the program
  - Enrollment is expected to increase by approximately 0.8%

# HEALTHCARE STABILITY PLAN – HOW WILL IT WORK?

## ○ Premium Savings

- In July of 2018, insurers will be required to file rates that reflect their premiums with and without the program
- If the 1332 Waiver is approved by CMS, insurers will use the rates reflecting the cost decrease in the program

## ○ Qualifying Claims

- Insurers will submit qualifying claims to OCI for review
- OCI will audit and review claims

## ○ Reimbursement

- Once reviewed, OCI will send qualifying reimbursements to the insurers

# HEALTHCARE STABILITY PLAN – TIMELINE

- **March 14 – April 14:** Public Comment Period and Tribal Consultations
- **April 15:** Submission of 1332 Waiver application to CMS
- **July 2:** Insurers file rates and forms with OCI
- **Late August / Early September:** Expected federal approval of Waiver
- **Late September:** Insurer rates and forms approved for on-Exchange plans by state and federal government
- **November:** 2019 Open Enrollment
- **January 1, 2019:** Health Care Stability Plan begins

# RESOURCES

- Federal Web site: [healthcare.gov](http://healthcare.gov); [cms.gov](http://cms.gov)
- OCI Web site: [oci.wi.gov](http://oci.wi.gov)
- Written comments on the 1332 Draft Waiver Application may be submitted to OCI via:

- e-mail:

[OCI1332WaiverComments@wisconsin.gov](mailto:OCI1332WaiverComments@wisconsin.gov)

- or mail:

ATTN: JP Wieske, Deputy Commissioner

Wisconsin Office of the Commissioner of Insurance

PO Box 7873

Madison, WI 53707-7873