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# State of Wisconsin

## Section 1332 State Innovation Waiver
## Actuarial and Economic Analysis

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# Introduction

The individual health insurance market in the state of Wisconsin ("Wisconsin") has shown symptoms of destabilization in recent years. Insurers have left the market and reduced service areas, plan designs are limited, insurers have lost approximately $400 million over the last three years, and the state experienced rate increases in excess of 30% in 2018. In order to mitigate further potential destabilization, Wisconsin is submitting a Section 1332 State Innovation Waiver ("1332 waiver" or "waiver"). The Affordable Care Act (ACA) permits states to waive certain provisions of the ACA in order to increase access to affordable coverage. However, in order for both of the Secretaries of Health and Human Services (HHS) and Treasury to approve of the waiver, the state must complete an application in which it demonstrates that it has met the regulatory requirements.

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 does not interfere with the four "guard rails". The four guard rails are defined as:

1. Coverage (there must be at least a comparable number of individuals with coverage under the waiver);
2. Affordability (waiver must not increase out of pocket spending including premiums and cost sharing);
3. Comprehensiveness (the waiver should not decrease the number of individuals with coverage that meets the essential health benefits (EHB) benchmark); and
4. Deficit neutrality (the waiver should not increase the federal deficit).

The waiver, as proposed, would reduce premiums through the introduction of a state-based reinsurance program starting in 2019. The reinsurance program would operate similarly to the Transitional Reinsurance program under the ACA that existed from 2014 to 2016 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). For 2019, Wisconsin has set the attachment point at $50,000, the reinsurance cap at $250,000, and allows for coinsurance rates between 50 and 80 percent.

The reinsurance program will be funded, contingent on approval of the 1332 waiver, through a sum sufficient state appropriation not to exceed $200 million for the 2019 plan year.

The goals of the reinsurance program are to remove the volatility of high cost claimants from being solely the risk of any one insurer as well as to lower premiums for the individual market in total (as the reinsurance funding will come from sources outside the individual market). In doing

so, the reinsurance program would incentivize enrollees to join or remain in the market, encourage insurer participation, and reduce overall instability. In addition to providing lower premiums to residents of Wisconsin, the reinsurance program would also reduce federal outlays through lower premium tax credits.

As part of its 1332 waiver, Wisconsin is requesting federal funds as a way of offsetting some of the costs incurred by the reinsurance program. Wisconsin's reinsurance program will reduce premiums for those purchasing insurance coverage in the individual market. It will also reduce the amount of Advance Premium Tax Credits (APTCs) Wisconsinites receive over the next ten years. APTCs are subsidies for eligible enrollees that can be used to reduce the cost of premiums for plans purchased through the Exchange. The amount of APTCs 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 APTCs will also be reduced.

This report demonstrates that the savings on aggregate APTC amounts exceed lost federal revenue that may result from the reinsurance program. Furthermore, the reinsurance program will not reduce but rather would improve Wisconsinites' access to affordable and comprehensive coverage. The waiver requests that Wisconsin receive the amount of federal savings from APTCs, net of other costs, as a result of the reinsurance program.

The state of Wisconsin retained Wakely Consulting Group, LLC ("Wakely"), through Horizon Government Affairs, to analyze the potential effects of a state-based reinsurance program on the 2019 individual ACA market. This document has been prepared for the sole use of Wisconsin. Wakely Consulting Group, LLC (Wakely), understands that the report will be made public and used in the 1332 waiver 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 report. It addresses section 45 CFR 155.1308(f)(4)(i)-(iii) of the checklist for the 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 qualified individuals.

## Analysis Results

As described previously, the four guard rails of an approved 1332 waiver application are: 1) Coverage Requirement; 2) Affordability Requirement; 3) Comprehensiveness Requirement; and 4) Deficit Neutrality.

Wakely's analysis estimated that the waiver meets each of the four guard rails not only in 2019 but in each subsequent year over the 10-year window. The high-level 2019 guard rail results are shown in Table 1.

**Table 1: 2019 High-Level Guard Rail Results**

| Guardrail | Effect of Waiver |
|---|---|
| Coverage | Increase in enrollment |
| Affordability (2019) | Relative premium decrease of 8.2% to 12.6% |
| Comprehensiveness | No change to EHBs |
| Deficit Neutrality (2019) | Federal savings between $157 million and $176 million |
| Deficit Neutrality (10-year) | Federal savings each year of 10-year window |

## Coverage, Affordability, and Comprehensiveness

The reinsurance program is expected to decrease premiums in the non-group market. The reduction in premiums should increase overall coverage. Existing research from Congressional Budget Office (CBO)[1] as the Council of Economic Advisors[2] has noted that premium decreases should result in enrollment increases. As the reinsurance program has no impact on other cost-sharing, the decreased premiums also improves affordability for consumers. Similarly, the reinsurance program would have no effect on the comprehensiveness of coverage. EHB requirements will not be affected by the reinsurance program. Individuals purchasing coverage in the non-group market would have the same benefits with the reinsurance program as they would without it.

## Deficit Impact

The following tables display the impact of the reinsurance program on Wisconsin's individual market both for 2019 and for the 10-year deficit window. Based on the best estimate assumptions, in 2019, the waiver reduces premiums by -10.6%[3] compared to the 2019 baseline, reduces

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

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

[3] The premium impacts shown throughout the report represent how much lower premiums would be due to reinsurance relative to what they otherwise would have been in 2019. They do not show 2019 premium changes relative to 2018 unless this is specifically mentioned.

premiums by -5.4% compared to 2018, increases non-group enrollment by 0.8%, and creates $166 million in federal savings (which incorporates APTC savings net of other federal revenue). These results are shown in Table 2. The results are similar, although decreasing impacts on premium and enrollment, for years 2020 to 2028 as is shown in Appendix C.

**Table 2: 2019 Impact of Waiver on Premium, Enrollment, and Federal Deficit**

| | Premiums, Compared to 2019 Baseline | Premiums, Compared to 2018 | Non-Group Enrollment | Federal Savings |
|---|---|---|---|---|
| Effect of Reinsurance | -10.6% | -5.4% | +0.8% | $166 Million |

Over the 10-year window, the reinsurance program provides savings to the Federal Government due to APTC savings net of other federal revenues. The details of the federal savings over the 10-year window are shown in Table 3.[4]

**Table 3: 10-Year Deficit Impact of Reinsurance Program**

| Category of Impact | Impact to Federal Deficit ($ millions)[5] |
|---|---|
| **Difference in APTCs** | **$1,725** |
| Difference in Mandate Penalty | $0 |
| Difference in User Fees | -$63 |
| Difference in HIT | -$20 |
| **Estimated Net Federal Savings** | **$1,641** |

## Data and Methodology

The following steps were taken to estimate the impact of a state-based reinsurance program on Wisconsin's individual market both for 2019 and for the 10-year deficit window.

[4] Insurers that utilize the Healthcare.gov platform are assessed a fee by the Federal government. This fee is calculated as percent of Exchange premium. The HIT is a fee imposed on each covered entity that provides health insurance for US health risks. There is a moratorium on the fee in 2019. Individual mandate penalties were set to $0 effective for the 2019 benefit year.

[5] Numbers may not add up due to rounding.

1. Wakely's model incorporates 2016, 2017 and emerging 2018 experience as base data, which was provided by Wisconsin insurers.

   Wakely sent a data call to all Wisconsin insurers that offered individual market ACA-compliant plans in 2017 or 2018. The data call requested full year 2017 and emerging 2018 enrollment, premium, and APTC information, which was used to inform the baseline estimates. The 2017 premiums and enrollment were summarized to create a baseline picture of Wisconsin's market. The 2018 enrollment, APTC, and premium data were adjusted to account for expected attrition to estimate average enrollment. The summarized amounts are shown in Table 4.

**Table 4: 2017 to 2019 Baseline Average Enrollment and Premium Data / Estimates**

| Baseline | 2017 | 2018 | 2019 |
|---|---|---|---|
| **Average Annual Enrollment** | | | |
| Total Non-Group Enrollment | 227,072 | 202,109 | 201,251 |
| Exchange Enrollment | 201,344 | 185,230 | 184,746 |
| APTC Enrollment | 163,988 | 163,442 | 163,442 |
| Non-APTC Exchange Enrollment | 37,356 | 21,788 | 21,304 |
| Off-Exchange Enrollment | 25,729 | 16,880 | 16,505 |
| Total Non-APTC Enrollment | 63,084 | 38,667 | 37,809 |
| **Per Member Per Month (PMPM) Amounts** | | | |
| Total Non-Group Premium PMPM | $520.50 | $751.26 | $795.11 |
| Exchange Premium PMPM | $522.94 | $761.73 | $806.19 |
| Gross Premiums PMPM for APTC Members | $538.69 | $782.75 | $828.44 |
| Net Premiums PMPM for APTC Members | $130.67 | $123.03 | $124.26 |
| APTC PMPM | $408.02 | $659.72 | $704.18 |
| **Total Annual Dollars** | | | |
| Total Non-Group Premiums | $1,418,303,932 | $1,822,036,075 | $1,920,208,088 |
| Total APTCs | $802,931,313 | $1,293,907,518 | $1,381,109,332 |

2. The 2019 enrollment, premium, and APTC amounts were estimated using 2017 and February 2018 insurer information submitted to Wakely, as well as 2017 data from the Center for Medicaid and Medicare Services (CMS) and other publicly available information.

a. The state average premium was based on the 2018 insurer information. The 2018 average premiums were increased by the average estimated 2019 rate increase, which would include increases to account for trend, market morbidity changes, lower premiums due to the delay in the health insurance tax (also known as the health providers fee or the HIT), and for some scenarios, an overall uncertainty factor. Further details are included in Appendix A.

b. To estimate the average 2019 APTC amounts, Wakely used the emerging 2018 APTC information from Wisconsin insurers including APTC amounts, gross premiums for those with APTCs, and net premiums (gross premiums – APTCs) for those with APTCs. We then inflated gross premiums for APTC enrollees by the estimated 2019 premium increase. Net premiums were increased by 1% from 2018 to 2019 as an approximation for APTC indexing. The 2019 average gross premium is then reduced by the 2019 average net premium (since APTC enrollees share of premiums is capped based on their respective household income) to calculate the 2019 APTC PMPM amounts.

c. The 2019 individual market enrollment was calculated using 2017 and 2018 data from CMS and Wisconsin insurers and adjusted to account for changes in enrollment due to net attrition throughout 2018 and expected 2019 premium changes, as discussed in Appendix A. Given the high proportion of individuals with APTCs relative to total ACA non-group market and following discussions with Wisconsin, for our best estimate, we assumed that the effective repeal of the mandate would not impact Wisconsin's enrollment. To the extent that experience deviates from this assumption, the results of this analysis will be impacted.

The estimated 2019 information is shown in Table 5.

3. To estimate the effects of the reinsurance program, Wakely assumed that $200 million dollars would be spent to reduce premiums in 2019. None of the funds were assumed to cover administrative costs for Wisconsin to operate the program. The best estimate assumptions resulted in a reduction in premiums of 10.6% due to the reinsurance program and resulting improvement in morbidity.

**Table 5: Estimated 2019 Average Enrollment and Premium Amounts After Reinsurance**

| After Reinsurance | |
|---|---|
| Reinsurance Funding | $200,000,000 |
| Reduction in Premiums (Reinsurance Funding) | -10.4% |
| Reinsurance Assessment | 0.0% |
| Reduction in Premiums (Improved Morbidity) | -0.2% |

| After Reinsurance | |
|---|---|
| Total Non-Group Premium PMPM | $710.71 |
| Exchange Premium PMPM | $720.62 |
| APTC PMPM | $616.24 |
| Change in Total Non-Group Enrollment | 0.8% |
| Total Non-Group Enrollment | 202,957 |
| Exchange Enrollment | 185,707 |
| APTC Enrollment | 163,442 |
| Total Premiums | $1,730,930,173 |
| Total APTCs | $1,208,640,030 |

4. Enrollment was re-estimated with the lower post-reinsurance premium, using an enrollment function (Appendix A contains additional information regarding the enrollment function), to calculate a final individual market average enrollment per scenario. The results for the best estimate scenario are shown in Table 5.

5. Given the enrollment with the reinsurance program is estimated to be higher than without the reinsurance program, Wakely estimated the impact to the morbidity of the market due to the implementation of the reinsurance program.

    a. A health reform study from Massachusetts[6] indicated that enrollees who leave the market have costs that are approximately 73% compared to those who remain. This relationship was applied to enrollees who remain in the market due to the lower premiums caused by the reinsurance program but would have left without the implementation of the reinsurance program.

    b. The result is an additional 0.2% reduction in average costs due to the improved morbidity of the covered population from the lower premiums under the reinsurance program.

    c. Applying the additional 0.2% reduction to the 10.4% reduction in premiums (from the $200 million in reinsurance funding) results in an overall premium reduction estimate of 10.6% under the best estimate scenario. The results of the best estimate can be seen in Table 5.

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

d. After reducing the premium impact by an additional 0.2%, Wakely again applied the enrollment function (described in item 4). It resulted in an additional 0.0% increase in enrollment, causing the total enrollment growth from the baseline to be 0.8%. No further iterations were done based on the relationship between change in enrollment and change in morbidity based on the negligible results of this iteration.

6. The following were the assumptions incorporated for the 10-year estimates:

   a. Premiums were trended using National Health Expenditure Data from CMS.[7] In 2020, the end of the HIT moratorium was estimated to increase premiums an additional 1.2% based on 2018 rate filing information.

   b. The individual market enrollment was assumed to have reached steady state in 2019.

   c. In 2020, and future years, total reinsurance funding was set equal to $200 million.

The results of these assumptions, such as enrollment (both in total and various distributions), changes to the SLCSP, and impact on the federal deficit are discussed in Appendix A and Appendix C.

## Scenario Testing

Wakely performed scenario testing which primarily involved changing the enrollment and premium assumptions for 2019. These assumptions were chosen for scenario testing as they are significant drivers of the results of the analysis. We tested for a scenario (Scenario 2) in which the effective repeal of the individual mandate had a large impact (which resulted in less enrollment and higher premiums) and a scenario (Scenario 3) in which individual mandate repeal had less of an impact on enrollment and premiums than Scenario 2 but still has a significant effect. The high mandate repeal impact scenario corresponds to the impact of the CBO projections and the low mandate repeal impact corresponds to the impact of OACT based projections.

Scenario 4 tested for a scenario in which enrollment was flat relative to 2018 and premium growth was low (second lowest cost silver premiums were also increased at a lower rate). Scenario 5 enrollment was equal to Scenario 1 but premiums were much higher. Finally, we tested a scenario (Scenario 6) in which enrollment was low (similar to Scenario 2) but premiums increases were

[7] 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.

larger. Scenarios 5 and 6 also assumed that the morbidity of the members leaving the market is even healthier than that assumed in the other scenarios. Further details regarding the scenario testing can be found in Appendix A and Appendix C.

The high-level results of the scenario testing are shown in Table 6. Although a variety of alternative scenarios were tested, the basic conclusions did not alter significantly from the best estimate scenarios.

**Table 6: High-Level Results of Scenario Testing**

| Scenario | 1 – Best Estimate | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|---|
| Description | No Mandate Impact | High Mandate Impact | Low Mandate Impact | Scenario 1 with Conservative Assumptions (Overall Low) | Scenario 1 with Aggressive Assumptions | Scenario 2 with Aggressive Assumptions (Overall High) |
| Enrollment | Small Decrease (formula driven) | Mandate Impact - CBO | Mandate Impact - OACT | Flat | Small Decrease (formula driven) | Mandate Impact - CBO |
| Premiums | Low Increase | Moderate Increase | Moderate Increase | Low Increase | High Increase | High Increase |
| Total Reduction in Premiums | -10.6% | -12.6% | -11.8% | -10.6% | -8.2% | -10.7% |
| Estimated Net Federal Savings | $166,120,154 | $174,243,916 | $171,026,710 | $156,871,822 | $169,445,853 | $176,226,437 |

# Appendix A
# Data and Methodology

## 2019 Baseline Enrollment and Premium Estimates

To create the baseline estimates, Wakely completed the following steps:

1. Wakely sent a data call to all Wisconsin carriers that offered individual market ACA-compliant plans in 2016, 2017, or 2018. The data call requested full year 2017 and emerging 2018 enrollment, premium, and APTC information, which was used to inform the baseline estimates.

   Wakely used the 2017 insurer data to calculate average enrollment and average premiums. Wakely used the 2018 insurer data to identify the February experience, including enrollment, state average premium, average Exchange premium, average APTC amount, gross premiums for individuals with APTC, and net premium for individuals with APTC. The data was compared to CMS reports to confirm consistency.

   The data call also requested full year 2016 and 2017 enrollment and claims information in continuance tables. The use of this data is discussed in Appendix B.

2. Using the 2017 CMS effectuated enrollment data, Open Enrollment Report PUF provided by HHS, insurer data submitted to Wisconsin and supplied to Wakely, and insurer 2017 data (submitted directly to Wakely), estimates were made to approximate the average 2018 experience.

3. Metal level distribution was estimated using insurer submitted data while FPL distribution was estimated using the 2018 CMS Open Enrollment PUF and the assumption that those not reporting income or were off-Exchange had incomes in excess of 400% FPL.

4. For the best estimate, overall enrollment in 2019 was estimated using a non-linear enrollment response function estimated by the Council of Economic Advisors (CEA take-up function).[8] The function computes expected enrollment change based on premium rate increases and the portion of the market that is not receiving subsidies. The resulted in an enrollment decrease of 0.4% compared to 2018. 2019 APTC enrollment was assumed to be consistent with 2018 enrollment, as these enrollees would not experience a net premium change. The result of these two assumptions is that enrollment changes would occur among the unsubsidized portion of the non-group market. The changes in enrollment were distributed pro rata between on-Exchange and off-Exchange by the share of unsubsidized enrollment that on-Exchange enrollees represented.

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

5. For 2019, premiums were estimated using the 2018 insurer submitted data and data sources described previously. The average 2018 premium was increased by approximately 6% to account for all rating factors such as trend, insurer uncertainty, change in morbidity due to mix changes, and to account for the health insurance tax delay for the 2019 benefit year.

6. To estimate 2019 APTC PMPMs, we used 2018 Wisconsin insurer data to calculate the average net premium among APTC enrollees (that is the actual amount APTC enrollees pay). We increased the 2019 required contribution (i.e., net premium) to conform with the indexing of the contribution rate. We increased it 1% annually from 2018 to 2019. We then inflated gross premiums for APTC enrollees (the 2018 APTC amounts plus net premiums) by the 2019 estimated premium increase (6%). This new gross premium amount is reduced by the net premium amount (since APTC enrollees share of premiums is capped based on their respective household income) to calculate the 2019 APTC PMPM amounts. These assumptions, in totality, were used to generate the baseline estimates shown in Table 4.

## 2019 Waiver Effects

The impact of the $200 million in reinsurance funding (as discussed previously) as a reduction to premiums was estimated by dividing the total reinsurance funding amount of $200 million by the total estimated 2019 baseline individual market. This resulted in an approximate 10.4% reduction to premiums. In addition, an adjustment was made to account for younger, healthier members remaining covered due to the implementation of the reinsurance program. This reduced premium another 0.2%. The premium adjustments due to reinsurance were made equally to Gross premiums for individuals with APTC (to calculate APTC), on-Exchange premiums, and off-Exchange premiums.

The decrease in premiums is expected to produce an increase in enrollment relative to what Wisconsin would experience without the reinsurance program. Enrollment changes were estimated using the CEA take-up function (as discussed previously). APTC enrollment is assumed to stay the same as 2018 since these members are generally unaffected by rate changes.[9] Consequently, the new enrollees are expected to be above 400% FPL. These new enrollees were allocated pro rata between on-Exchange and off-Exchange by the share of unsubsidized enrollment that on-Exchange enrollees represented. It is likely that enrollees who

[9] This assumption does not preclude normal churn that occurs within the individual market. Normal churn, enrollees leaving for employer-sponsored insurance, or enrollees joining the individual market who previously had coverage in Medicaid, would continue. The assumption merely assumes in aggregate that a similar number of APTC enrollees would have coverage in 2019 as had coverage in 2018.

stay in the market due to the implementation of reinsurance will be healthier and/or younger than the enrollees who will be in the market regardless of whether there is a reinsurance program.[10] These results were discussed previously and are shown in Table 5.

## Alternative Scenarios

Wakely estimated five additional 2019 scenarios to analyze the robustness of the initial 2019 findings. The following were the enrollment scenarios that were modeled:

- Scenario 1: 2019 enrollment was lower than 2018 enrollment, as estimated by the CEA take-up function. Those that left the market were estimated to have a morbidity of 0.73.[11] Average premium rates were estimated to be 5.8% higher than 2018.

- Scenario 2: In this scenario, we assumed that no mandate is enforced in Wisconsin in 2019 and the effect would be high. The initial baseline was the previous Scenario 1. Additional enrollment losses due to the mandate are estimated using the Center for American Progress' state level estimates of the CBO enrollment losses.[12] These losses were estimated for the 2025 year, so an adjustment, following the CBO's estimates for 2019,[13] was made to estimate Wisconsin specific enrollment attrition in 2019 due to the loss of the mandate. The result of the mandate loss and resulting premium increases could cause additional enrollment losses, especially given the potential of alternative non-ACA products if regulations change for short-term limited duration plans and associations plans. While initial premium increases correspond to Scenario 1, the additional premium increases due to the smaller individual market and resulting morbidity increase results in an overall estimated 16.5% premium increase in 2019.

- Scenario 3: In this scenario, we continue to assume that the effective repeal of the mandate in 2019 will have an effect, but the impact is lower in this scenario. There is considerable uncertainty on the exact effects of the mandate repeal. Consequently, we used a different benchmark than the high scenario. Enrollment losses due to the mandate are estimated using the Center for American Progress' state level estimates but then

[10]https://www.brookings.edu/blog/up-front/2017/02/08/new-data-on-sign-ups-through-the-acas-marketplaces-should-lay-death-spiral-claims-to-rest/

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

[12] https://www.americanprogress.org/issues/healthcare/news/2017/12/05/443767/estimates-increase-uninsured-congressional-district-senate-gop-tax-bill/

[13] https://www.cbo.gov/system/files/115th-congress-2017-2018/reports/53300-individualmandate.pdf

Wisconsin-specific enrollment attrition in 2019 due to the loss of the mandate was reduced to match the nationwide total enrollment losses as estimated by the CMS Office of the Actuary.[14] While CBO estimated a nationwide loss of 3 million enrollees in 2019, the Office of the Actuary estimated an ultimate loss of 2 million enrollees due to the mandate repeal. The result of the mandate loss for this scenario and resulting premium increases could cause additional enrollment losses, especially given the potential of alternative non-ACA products if regulations change for short-term limited duration plans and associations plans. While initial premium increases correspond to Scenario 1, the additional premium increases due to the smaller individual market and resulting morbidity increase results in an overall estimated 12.7% premium increase in 2019.

- Scenario 4: This scenario is the most conservative scenario related to estimated Federal savings and uses Scenario 1 as the starting point. Enrollment was estimated to be flat relative to 2018. Premium growth was set to be around 6%. Finally, the second lowest cost plan (SLCP) was assumed to grow at a slower rate than the state average premium by 5%.

- Scenario 5: This scenario was estimated as a more aggressive scenario assuming a starting enrollment assumption similar to Scenario 1. Average premium rate increases were assumed to be high at 40%. Furthermore, we estimated that the morbidity of those leaving the market was low (0.62 relative cost compared to those who stay) which approximately corresponds to our calculation of CBO's estimates of those leaving the individual market due to the mandate. Enrollment was estimated using the CEA take-up function.

- Scenario 6: This scenario is the most aggressive scenario related to estimated Federal savings and Scenario 2 is the starting point for this scenario. In this scenario the effect of the mandate repeal was assumed to be high, corresponding to the effects of the CBO model. Furthermore, insurer uncertainty and other factors were assumed to be high resulting in a "high" premium increase of 40%. Similar to Scenario 5, we estimated that the morbidity of those leaving the market was low (0.62 relative cost compared to those who stay) which approximately corresponds to our calculation of CBO's estimates of those leaving the individual market due to the mandate.

For each of the scenarios, the same reinsurance methodology was applied as was used in the baseline scenario: $200 million in reinsurance funding was applied to the individual market and

[14] Please note that while the updated National Health Expenditure estimated an overall enrollment reduction in the individual market due to the mandate loss at 2 million as of 2021, it did not provide point estimates for 2019. As such, we rely on an earlier OACT estimate found here for 2019 effects: https://www.cms.gov/Research-Statistics-Data-and-Systems/Research/ActuarialStudies/Downloads/AHCA20170613.pdf

enrollment was re-estimated using the CEA take-up function. Each scenario produced a decrease in the state average premiums PMPM in 2019 between 8.2% and 12.6%. In each scenario, the lower premiums resulted in more enrollees in the individual market. Finally, in each scenario, the combined lower premiums (including decreased APTC PMPMs) resulted in fewer Federal dollars being spent in 2019 as a result of the reinsurance program. The detailed results of the scenario testing are shown in Table 7.

Scenario 1 is the best estimate scenario including reactive enrollment and premiums to match Wisconsin's recommended premium increases. This scenario was used for the 10-year economic analysis.

**Table 7: Summary of Alternative Scenario Results for 2019**

| Scenario | 1-Best Estimate | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|---|
| Enrollment | Small Decrease (formula driven) | Mandate Impact - CBO | Mandate Impact - OACT | Flat | Small Decrease (formula driven) | Mandate Impact - CBO |
| Premiums | Low Increase | Moderate Increase | Moderate Increase | Low Increase | High Increase | High Increase |
| **Baseline** | | | | | | |
| Total Non-Group Enrollment | 201,251 | 152,891 | 169,011 | 202,109 | 197,078 | 150,166 |
| Exchange Enrollment | 184,746 | 143,214 | 157,058 | 185,230 | 182,395 | 141,338 |
| APTC Enrollment | 163,442 | 130,724 | 141,630 | 163,442 | 163,442 | 129,943 |
| Total Non-Group Premium PMPM | $795.11 | $875.19 | $846.90 | $794.20 | $1,051.44 | $1,051.79 |
| Exchange Premium PMPM | $806.19 | $887.38 | $858.70 | $805.27 | $1,066.09 | $1,066.44 |
| APTC PMPM | $704.18 | $787.61 | $758.14 | $661.85 | $971.25 | $971.62 |
| Total Non-Group Premiums | $1,920,208,088 | $1,605,706,007 | $1,717,635,119 | $1,926,183,657 | $2,486,588,501 | $1,895,319,666 |
| Total APTCs | $1,381,109,332 | $1,235,514,542 | $1,288,504,061 | $1,298,098,964 | $1,904,922,728 | $1,515,051,816 |
| **After Reinsurance** | | | | | | |
| Reinsurance Funding | $200,000,000 | $200,000,000 | $200,000,000 | $200,000,000 | $200,000,000 | $200,000,000 |
| Reduction in Premiums (Reinsurance Funding) | -10.4% | -12.5% | -11.6% | -10.4% | -8.0% | -10.6% |
| Reinsurance Assessment | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Reduction in Premiums (Improved Morbidity) | -0.2% | -0.2% | -0.2% | -0.2% | -0.2% | -0.2% |
| Total Premium Impact | -10.6% | -12.6% | -11.8% | -10.6% | -8.2% | -10.7% |
| Total Non-Group Premium PMPM | $710.71 | $764.59 | $746.68 | $710.13 | $965.38 | $939.28 |

| Scenario | 1-Best Estimate | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|---|
| **Enrollment** | **Small Decrease (formula driven)** | **Mandate Impact - CBO** | **Mandate Impact - OACT** | **Flat** | **Small Decrease (formula driven)** | **Mandate Impact - CBO** |
| **Premiums** | **Low Increase** | **Moderate Increase** | **Moderate Increase** | **Low Increase** | **High Increase** | **High Increase** |
| Exchange Premium PMPM | $720.62 | $775.24 | $757.08 | $720.03 | $978.83 | $952.37 |
| APTC PMPM | $616.24 | $672.38 | $653.71 | $578.64 | $881.59 | $854.39 |
| Percent Change in Total Enrollment | 0.8% | 0.8% | 0.8% | 0.9% | 0.6% | 0.6% |
| Total Non-Group Enrollment | 202,957 | 154,095 | 170,398 | 203,849 | 198,231 | 151,085 |
| Exchange Enrollment | 185,707 | 143,893 | 157,839 | 186,210 | 183,044 | 141,856 |
| APTC Enrollment | 163,442 | 130,724 | 141,630 | 163,442 | 163,442 | 129,943 |
| Total Premiums | $1,730,930,173 | $1,413,831,424 | $1,526,781,261 | $1,737,110,686 | $2,296,419,663 | $1,702,930,883 |
| Total APTCs | $1,208,640,030 | $1,054,746,162 | $1,111,022,161 | $1,134,892,093 | $1,729,059,450 | $1,332,260,556 |
| **Savings** | | | | | | |
| Estimated APTC Savings | $172,469,302 | $180,768,381 | $177,481,899 | $163,206,871 | $175,863,278 | $182,791,260 |
| Estimated Net Federal Savings | $166,120,154 | $174,243,916 | $171,026,710 | $156,871,822 | $169,445,853 | $176,226,437 |

## Beyond 2019

For years beyond 2019, Wakely made the following assumptions:

- Baseline premiums (both total non-group 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 10 year window.[15]
- APTC Net Premiums were increase 1% annually to account for indexing.
- Premiums in 2020 were adjusted to account for the ending of the HIT Delay (i.e., an increase of 1.2%).
- Enrollment was assumed to be constant starting in 2019.

For each year, the same methodology of applying reinsurance, calculating the change in premiums and APTC amounts as a result of reinsurance, and calculating the change in enrollment as a result of lower premium was used consistently to that described for 2019. Since the total reinsurance funding remains the same for all years, this decreases the impact to premiums over time. The premium impact of 10.6% in 2019 reduces to an impact of 6.8% by 2028. The detailed results are shown in Table 8.

[15] 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.

## Table 8: Baseline Data and Detailed Results after Reinsurance, by Year[16]

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Baseline** | | | | | | | | | | |
| Total Non-Group Enrollment | 201,251 | 201,251 | 201,251 | 201,251 | 201,251 | 201,251 | 201,251 | 201,251 | 201,251 | 201,251 |
| Exchange Enrollment | 184,746 | 184,746 | 184,746 | 184,746 | 184,746 | 184,746 | 184,746 | 184,746 | 184,746 | 184,746 |
| APTC Enrollment | 163,442 | 163,442 | 163,442 | 163,442 | 163,442 | 163,442 | 163,442 | 163,442 | 163,442 | 163,442 |
| Total Non-Group Premium PMPM | $795.11 | $842.47 | $883.75 | $927.94 | $973.41 | $1,021.11 | $1,070.12 | $1,122.40 | $1,177.24 | $1,234.76 |
| Exchange Premium PMPM | $806.19 | $854.21 | $896.07 | $940.87 | $986.97 | $1,035.33 | $1,085.03 | $1,138.04 | $1,193.64 | $1,251.96 |
| Gross Premium PMPM for APTC Mbrs | $828.44 | $877.79 | $920.80 | $966.84 | $1,014.21 | $1,063.91 | $1,114.98 | $1,169.45 | $1,226.59 | $1,286.52 |
| Net Premium PMPM for APTC Mbrs | $124.26 | $125.50 | $126.76 | $128.03 | $129.31 | $130.60 | $131.91 | $133.23 | $134.56 | $135.90 |
| APTC PMPM | $704.18 | $752.28 | $794.04 | $838.81 | $884.91 | $933.31 | $983.07 | $1,036.23 | $1,092.03 | $1,150.61 |
| Total Premiums | $1,920,208,088 | $2,034,583,363 | $2,134,277,947 | $2,240,991,845 | $2,350,800,445 | $2,465,989,667 | $2,584,357,171 | $2,710,621,478 | $2,843,054,699 | $2,981,958,229 |
| Total APTCs | $1,381,109,332 | $1,475,453,260 | $1,557,350,436 | $1,645,162,538 | $1,735,568,429 | $1,830,502,137 | $1,928,099,856 | $2,032,354,009 | $2,141,802,249 | $2,256,699,349 |
| **After Reinsurance** | | | | | | | | | | |
| Reinsurance Funding | $200,000,000 | $200,000,000 | $200,000,000 | $200,000,000 | $200,000,000 | $200,000,000 | $200,000,000 | $200,000,000 | $200,000,000 | $200,000,000 |
| Reduction in Premiums (Reinsurance Funding) | -10.4% | -9.8% | -9.4% | -8.9% | -8.5% | -8.1% | -7.7% | -7.4% | -7.0% | -6.7% |
| Reinsurance Assessment | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Reduction in Premiums (Improved Morbidity) | -0.2% | -0.2% | -0.2% | -0.2% | -0.2% | -0.2% | -0.2% | -0.2% | -0.1% | -0.1% |
| Total Non- Group Premium PMPM | $710.71 | $758.07 | $799.34 | $843.53 | $888.99 | $936.69 | $985.70 | $1,037.98 | $1,092.81 | $1,150.32 |

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

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|---|
| Exchange Premium PMPM | $720.62 | $768.63 | $810.48 | $855.28 | $901.38 | $949.74 | $999.43 | $1,052.44 | $1,108.04 | $1,166.35 |
| APTC PMPM | $616.24 | $664.34 | $706.09 | $750.86 | $796.95 | $845.35 | $895.11 | $948.26 | $1,004.06 | $1,062.64 |
| Change in Total Non-Group Enrollment | 0.8% | 0.8% | 0.8% | 0.7% | 0.7% | 0.7% | 0.6% | 0.6% | 0.6% | 0.5% |
| Total Non-Group Enrollment | 202,957 | 202,855 | 202,776 | 202,700 | 202,629 | 202,562 | 202,499 | 202,438 | 202,381 | 202,326 |
| Exchange Enrollment | 185,707 | 185,650 | 185,606 | 185,563 | 185,522 | 185,485 | 185,449 | 185,415 | 185,383 | 185,352 |
| APTC Enrollment | 163,442 | 163,442 | 163,442 | 163,442 | 163,442 | 163,442 | 163,442 | 163,442 | 163,442 | 163,442 |
| Total Premiums | $1,730,930,173 | $1,845,337,825 | $1,945,057,696 | $2,051,796,078 | $2,161,627,475 | $2,276,838,359 | $2,395,226,050 | $2,521,509,892 | $2,653,961,686 | $2,792,882,878 |
| Total APTCs | $1,208,640,030 | $1,302,972,422 | $1,384,860,583 | $1,472,663,951 | $1,563,061,704 | $1,657,987,677 | $1,755,578,183 | $1,859,825,354 | $1,969,266,952 | $2,084,157,734 |

# Appendix B
# Reinsurance Parameters

## Reinsurance Parameters

As noted previously, the reinsurance program would operate similarly to the Transitional Reinsurance program under the ACA that existed from 2014 to 2016 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). For 2019, Wisconsin has set the attachment point at $50,000, the reinsurance cap at $250,000, and allows for coinsurance rates between 50 and 80 percent.

Wakely used the continuance tables provided from all insurers for 2016 and 2017 calendar years to estimate the coinsurance amount for the program. The 2017 continuance table was used in the modeling with the 2016 continuance table serving as a cross-check for reasonability and consistency.

To obtain a 2019 continuance table consistent with the best estimate scenario, various adjustments to the data were performed including enrollment, morbidity, and annual claim increases. The following components were considerations in adjusting the 2017 continuance tables, incorporating sources of public data, sensitive / proprietary data, and actuarial judgement.

1. The best estimate scenario enrollment drop of 10.6% from 2017 to 2019 was applied to the data.
2. The morbidity change from 2017 to 2019 was modeled under the assumption that members leaving the market were healthier relative those staying in the market.
3. The claims were increased annually from 2017 to 2019. This annual claim increase includes adjustments outside of trend such as metal mix changes.
4. The resulting medical loss ratio (MLR) in 2019 was reviewed (prior to the impact of the reinsurance program and after the impact of reinsurance) to ensure reasonability.

Enrollment and morbidity were modeled in tandem by removing membership and associated claims from the continuance tables to obtain the projected changes of 10.6% decrease in enrollment and a corresponding increase in morbidity (estimated by an increase in paid claims). This was modeled using an attrition distribution assuming lower cost membership is more likely to terminate coverage than higher cost membership.

In some instances, the trend and / or morbidity was higher than anticipated; however, it was necessary in order to achieve the level of premium increase we understood to be reasonable from Wisconsin and / or the insurers. The premium levels may be higher than otherwise expected as a result of uncertainty in the market. Trend and / or morbidity were adjusted similarly to achieve appropriate MLRs.

The resulting 2019 continuance table was used to determine the reinsurance parameters. Wakely used a fixed attachment point of $50,000 and cap $250,000. Ideally, the coinsurance would fall between 50% and 80% as is consistent with Wisconsin's prior estimated parameters. Assuming a funding level of $200,000,000 and the preceding parameters, Wakely estimates that the coinsurance level will be approximately 50%, based on the 2019 estimated data. The coinsurance may change if methodology, assumptions, or other changes are incorporated.

It is important to note that the assumptions in this estimate are inherently uncertain. The resulting parameters will vary from these estimates to the degree the actual enrollment, morbidity, trend, and other assumptions vary from those used in this analysis. In addition, if there are significantly more or fewer high cost claimants in 2019 compared to 2016 and 2017, the results from this analysis may also vary. Finally, insurers are expected to have differing impacts from one another due to the reinsurance program based on how they vary from the market average in the assumptions discussed previously in this section.

# Appendix C
# Guard Rail Requirements

## 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. We expect enrollment to increase between 0.5% and 0.8% each year relative to what would have occurred if the reinsurance program were not in place in each year of the waiver. Our analysis estimates that the reinsurance program, and resulting lower premiums, would provide for at least comparable number of enrollees (and most likely a greater number of individuals covered).

## 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 coverage to at least a comparable number of residents as would have been provided absent the waiver. Generally, we expect premiums to be approximately 10.6% lower in 2019, and lower than they otherwise would have been each year of the waiver as a direct result of the reinsurance program. Cost sharing for plans will remain within the federal requirements and should therefore not impact affordability. Our analysis estimates that the reinsurance program, and resulting lower premiums, 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 comprehensive of coverage for residents.

## Deficit Neutrality

### APTCs

Since APTCs are benchmarked to the SLCSP, the decrease in premiums (specifically the SLCSP) will result in lower per person APTC amounts in 2019. Since enrollees who have APTCs 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 APTCs. Due to the combination of a non-decreasing number of enrollees with APTCs and a decrease in premiums, which is connected to APTC amounts, Wakely's analysis estimates that the overall aggregate amount of APTCs will be lower each year over the 10-year

window. Wakely further estimates that the total federal savings of APTC expenditures will be in excess of $172.4 million per year. APTC savings net of other Federal losses will be in excess of $163.8 million per year.  These results are shown in Table 9.

## Table 9: Detailed Results of Federal Savings, by Year

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Baseline** | | | | | | | | | | |
| Total Non-Group Enrollment | 201,251 | 201,251 | 201,251 | 201,251 | 201,251 | 201,251 | 201,251 | 201,251 | 201,251 | 201,251 |
| Exchange Enrollment | 184,746 | 184,746 | 184,746 | 184,746 | 184,746 | 184,746 | 184,746 | 184,746 | 184,746 | 184,746 |
| APTC Enrollment | 163,442 | 163,442 | 163,442 | 163,442 | 163,442 | 163,442 | 163,442 | 163,442 | 163,442 | 163,442 |
| Total Non-Group Premium PMPM | $795.11 | $842.47 | $883.75 | $927.94 | $973.41 | $1,021.11 | $1,070.12 | $1,122.40 | $1,177.24 | $1,234.76 |
| Exchange Premium PMPM | $806.19 | $854.21 | $896.07 | $940.87 | $986.97 | $1,035.33 | $1,085.03 | $1,138.04 | $1,193.64 | $1,251.96 |
| APTC PMPM | $704.18 | $752.28 | $794.04 | $838.81 | $884.91 | $933.31 | $983.07 | $1,036.23 | $1,092.03 | $1,150.61 |
| **After Reinsurance** | | | | | | | | | | |
| Total Non-Group Enrollment | 202,957 | 202,855 | 202,776 | 202,700 | 202,629 | 202,562 | 202,499 | 202,438 | 202,381 | 202,326 |
| Exchange Enrollment | 185,707 | 185,650 | 185,606 | 185,563 | 185,522 | 185,485 | 185,449 | 185,415 | 185,383 | 185,352 |
| APTC Enrollment | 163,442 | 163,442 | 163,442 | 163,442 | 163,442 | 163,442 | 163,442 | 163,442 | 163,442 | 163,442 |
| Total Non-Group Premium PMPM | $710.71 | $758.07 | $799.34 | $843.53 | $888.99 | $936.69 | $985.70 | $1,037.98 | $1,092.81 | $1,150.32 |
| Exchange Premium PMPM | $720.62 | $768.63 | $810.48 | $855.28 | $901.38 | $949.74 | $999.43 | $1,052.44 | $1,108.04 | $1,166.35 |
| APTC PMPM | $616.24 | $664.34 | $706.09 | $750.86 | $796.95 | $845.35 | $895.11 | $948.26 | $1,004.06 | $1,062.64 |
| **Federal Savings Calculations** | | | | | | | | | | |
| Exchange User Fees | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% |
| HIT | 0.00% | 1.20% | 1.20% | 1.20% | 1.20% | 1.20% | 1.20% | 1.20% | 1.20% | 1.20% |
| Difference in APTCs | $172,469,302 | $172,480,838 | $172,489,853 | $172,498,588 | $172,506,725 | $172,514,460 | $172,521,673 | $172,528,655 | $172,535,297 | $172,541,615 |
| Difference in Mandate Penalty | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Difference in User Fees | ($6,349,148) | ($6,348,672) | ($6,348,300) | ($6,347,941) | ($6,347,606) | ($6,347,288) | ($6,346,991) | ($6,346,704) | ($6,346,432) | ($6,346,172) |
| Difference in HIT | $0 | ($2,270,946) | ($2,270,643) | ($2,270,349) | ($2,270,076) | ($2,269,816) | ($2,269,573) | ($2,269,339) | ($2,269,116) | ($2,268,904) |
| **Estimated Net Federal Savings** | $166,120,154 | $163,861,220 | $163,870,910 | $163,880,298 | $163,889,043 | $163,897,357 | $163,905,108 | $163,912,612 | $163,919,749 | $163,926,539 |

## Offsets to APTC Savings

### INDIVIDUAL RESPONSIBILITY REQUIREMENT

As part of the ACA, individuals that can afford insurance but forgo insurance are generally required to pay a fee. However, as part of the Tax Cuts and Jobs Act of 2017, the individual responsibility requirement was set to $0 for 2019 and future years. Therefore, it will not directly affect federal savings.

### EXCHANGE USER FEE

Wakely acknowledges that there may be a loss of revenue to the Federal government for Exchange user fees (also known as user fees) due to the reduction in premium amounts. To calculate an estimate of this loss, Wakely estimated the baseline Exchange user fees to be 3.5% (per the 2019 proposed HHS Payment Notice) multiplied by total Exchange premiums (using the baseline Exchange enrollment and baseline Exchange premiums). This was then compared to post-reinsurance scenarios in which enrollment and premiums were re-estimated using the lower premiums and higher enrollment as a result of the reinsurance payments. In future years, Wakely assumed that the user fee rate would stay at 3.5%.

### HEALTH INSURANCE PROVIDERS FEE

The reinsurance program would also impact the health insurance providers fee, or HIT. Section 9010 of the ACA requires that a tax on health insurance providers be set at an amount totaling $14.3 billion in 2018 and increasing thereafter generally at the rate of premium increase. As part of the Tax Cuts and Jobs Act of 2017, the HIT was suspended for the 2019 benefit year. We estimate that Wisconsin's reinsurance program will have minimal impact on national premium growth rate. To estimate the decrease in collected fees, Wakely first estimated the baseline collection for 2020 using the 2018 rate filing information. Information from Wisconsin's Office of the Commissioner of Insurance (OCI) weighted by enrollment yielded an estimated 1.2% HIT on premiums. This amount was held constant over the 10-year window to align the fee with overall premium growth. To calculate the impact of the waiver, Wakely estimated the total HIT (defined as total premiums multiplied by 1.2%) for the baseline and the waiver scenario to arrive at the federal costs due to the health insurance providers fee for the implementation of the waiver. These estimates are conservative as the losses on Wisconsin's insurers may be partially or fully captured by taxes on non-Wisconsin health insurance providers given that statutory construction of the fee.

## OTHER FEDERAL IMPACTS

Wakely did not directly estimate the impact of the proposed waiver on the collections related to the Cadillac or Excise tax, small business tax credit or income taxes. It is unlikely that any of these would have a significant impact on the overall savings.[17]

## EMPLOYER MARKETS

A detailed analysis of the group markets was not completed. It is not expected that the reinsurance program will have an impact on the small group, 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 non-group market as a result of the reinsurance program.

## DEFICIT NEUTRALITY IN ALTERNATIVE SCENARIOS

In addition, Wakely calculated the impact of the federal savings under the alternative 2019 scenarios discussed previously. As can be seen in table 10, there was no 2019 scenario in which net federal savings, as a result of the reinsurance program, was less than $157 million.

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

**Table 10: Estimated 2019 Federal Savings in Alternative Scenarios**

| Scenario | 1-Best Estimate | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|---|
| Enrollment | Small Decrease (formula driven) | Mandate Impact - CBO | Mandate Impact - OACT | Flat | Small Decrease (formula driven) | Mandate Impact - CBO |
| Premiums | Low Increase | Moderate Increase | Moderate Increase | Low Increase | High Increase | High Increase |
| Difference in APTCs | $172,469,302 | $180,768,381 | $177,481,899 | $163,206,871 | $175,863,278 | $182,791,260 |
| Difference in Mandate Penalty | $0 | $0 | $0 | $0 | $0 | $0 |
| Difference in User Fees | ($6,349,148) | ($6,524,464) | ($6,455,189) | ($6,335,049) | ($6,417,425) | ($6,564,823) |
| Difference in HIT | $0 | $0 | $0 | $0 | $0 | $0 |
| **Estimated Net Federal Savings** | **$166,120,154** | **$174,243,916** | **$171,026,710** | **$156,871,822** | **$169,445,853** | **$176,226,437** |

# Appendix D
# 5 and 10 year Projections

Tables 11, 12, and 13 show various information over the 10-year deficit period, as required under the CMS checklist. The second lowest cost silver for each rating area was calculated using a weighted average of each county's Exchange enrollment for 2017.

**Table 11: Second Lowest Cost Silver Plan Premium PMPM, with and without Reinsurance, by Rating Area and Year**

| Rating Area | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Baseline** | | | | | | | | | | | |
| 1 | $444 | $470 | $498 | $523 | $549 | $576 | $604 | $633 | $664 | $696 | $730 |
| 2 | $353 | $373 | $396 | $415 | $436 | $457 | $479 | $503 | $527 | $553 | $580 |
| 3 | $438 | $464 | $491 | $515 | $541 | $568 | $595 | $624 | $655 | $686 | $720 |
| 4 | $463 | $490 | $519 | $544 | $571 | $599 | $629 | $659 | $691 | $725 | $760 |
| 5 | $424 | $448 | $475 | $498 | $523 | $549 | $576 | $604 | $633 | $664 | $696 |
| 6 | $487 | $515 | $546 | $573 | $601 | $631 | $662 | $693 | $727 | $763 | $800 |
| 7 | $368 | $389 | $413 | $433 | $454 | $477 | $500 | $524 | $550 | $576 | $605 |
| 8 | $446 | $472 | $500 | $524 | $550 | $577 | $606 | $635 | $666 | $698 | $732 |
| 9 | $449 | $475 | $504 | $528 | $555 | $582 | $610 | $640 | $671 | $704 | $738 |
| 10 | $411 | $435 | $461 | $483 | $507 | $532 | $558 | $585 | $614 | $644 | $675 |
| 11 | $470 | $497 | $527 | $553 | $580 | $609 | $639 | $669 | $702 | $736 | $772 |
| 12 | $451 | $478 | $506 | $531 | $558 | $585 | $613 | $643 | $674 | $707 | $742 |
| 13 | $419 | $444 | $470 | $493 | $518 | $543 | $570 | $597 | $627 | $657 | $689 |
| 14 | $330 | $349 | $370 | $388 | $407 | $427 | $448 | $470 | $493 | $517 | $542 |
| 15 | $354 | $375 | $397 | $417 | $438 | $459 | $481 | $505 | $529 | $555 | $582 |
| 16 | $617 | $653 | $692 | $726 | $762 | $799 | $839 | $879 | $922 | $967 | $1,014 |
| **After Reinsurance** | | | | | | | | | | | |
| 1 | | $420 | $448 | $473 | $499 | $526 | $554 | $583 | $614 | $646 | $680 |
| 2 | | $334 | $356 | $375 | $396 | $417 | $440 | $463 | $487 | $513 | $540 |

| Rating Area | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 3 | | $414 | $442 | $466 | $492 | $518 | $546 | $575 | $605 | $637 | $671 |
| 4 | | $438 | $467 | $492 | $519 | $547 | $577 | $607 | $639 | $673 | $708 |
| 5 | | $401 | $428 | $451 | $476 | $501 | $528 | $556 | $585 | $616 | $649 |
| 6 | | $461 | $491 | $518 | $547 | $576 | $607 | $639 | $673 | $708 | $745 |
| 7 | | $348 | $371 | $391 | $413 | $435 | $459 | $483 | $508 | $535 | $563 |
| 8 | | $422 | $450 | $474 | $500 | $527 | $556 | $585 | $616 | $648 | $682 |
| 9 | | $425 | $453 | $478 | $504 | $531 | $560 | $589 | $621 | $653 | $688 |
| 10 | | $389 | $414 | $437 | $461 | $486 | $512 | $539 | $567 | $597 | $629 |
| 11 | | $445 | $474 | $500 | $528 | $556 | $586 | $617 | $649 | $684 | $720 |
| 12 | | $427 | $455 | $480 | $507 | $534 | $563 | $592 | $624 | $657 | $691 |
| 13 | | $397 | $423 | $446 | $471 | $496 | $523 | $550 | $579 | $610 | $642 |
| 14 | | $312 | $333 | $351 | $370 | $390 | $411 | $433 | $456 | $480 | $505 |
| 15 | | $335 | $357 | $377 | $398 | $419 | $442 | $465 | $489 | $515 | $542 |
| 16 | | $584 | $623 | $656 | $693 | $730 | $769 | $809 | $852 | $897 | $945 |

**Table 12: Projected Enrollment by FPL, with and without Reinsurance, by Year**

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|
| **Baseline** | | | | | | |
| Total Non-Group Enrollment | 202,109 | 201,251 | 201,251 | 201,251 | 201,251 | 201,251 |
| Total Non-Group APTC Eligible | 163,442 | 163,442 | 163,442 | 163,442 | 163,442 | 163,442 |
| <100% of FPL | - | - | - | - | - | - |
| ≥100% to ≤150% of FPL | 47,955 | 47,752 | 47,752 | 47,752 | 47,752 | 47,752 |
| >150% to ≤200% of FPL | 40,148 | 39,977 | 39,977 | 39,977 | 39,977 | 39,977 |
| >200% to ≤250% of FPL | 27,135 | 27,019 | 27,019 | 27,019 | 27,019 | 27,019 |
| >250% to ≤300% of FPL | 18,005 | 17,928 | 17,928 | 17,928 | 17,928 | 17,928 |
| >300% to ≤400% of FPL | 25,250 | 25,143 | 25,143 | 25,143 | 25,143 | 25,143 |
| >400% of FPL | 43,618 | 43,432 | 43,432 | 43,432 | 43,432 | 43,432 |
| **After Reinsurance** | | | | | | |
| Total Non-Group Enrollment | | 202,957 | 202,855 | 202,776 | 202,700 | 202,629 |
| Total Non-Group APTC Eligible | | 163,442 | 163,442 | 163,442 | 163,442 | 163,442 |
| <100% of FPL | | - | - | - | - | - |
| ≥100% to ≤150% of FPL | | 47,752 | 47,752 | 47,752 | 47,752 | 47,752 |
| >150% to ≤200% of FPL | | 39,977 | 39,977 | 39,977 | 39,977 | 39,977 |
| >200% to ≤250% of FPL | | 27,019 | 27,019 | 27,019 | 27,019 | 27,019 |
| >250% to ≤300% of FPL | | 17,928 | 17,928 | 17,928 | 17,928 | 17,928 |
| >300% to ≤400% of FPL | | 25,143 | 25,143 | 25,143 | 25,143 | 25,143 |
| >400% of FPL | | 45,138 | 45,036 | 44,957 | 44,881 | 44,810 |

**Table 13: Projected Enrollment by Metal Level with and without Reinsurance, by Year**

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|
| **Baseline** | | | | | | |
| Total Non-Group Enrollment | 202,109 | 201,251 | 201,251 | 201,251 | 201,251 | 201,251 |
| Catastrophic | 2,054 | 2,046 | 2,046 | 2,046 | 2,046 | 2,046 |
| Bronze | 74,427 | 74,111 | 74,111 | 74,111 | 74,111 | 74,111 |
| Silver | 98,797 | 98,378 | 98,378 | 98,378 | 98,378 | 98,378 |
| Gold | 26,265 | 26,154 | 26,154 | 26,154 | 26,154 | 26,154 |
| Platinum | 565 | 563 | 563 | 563 | 563 | 563 |
| **After Reinsurance** | | | | | | |
| Total Non-Group Enrollment | | 202,957 | 202,855 | 202,776 | 202,700 | 202,629 |
| Catastrophic | | 2,099 | 2,096 | 2,094 | 2,091 | 2,089 |
| Bronze | | 75,221 | 75,155 | 75,103 | 75,054 | 75,008 |
| Silver | | 98,592 | 98,579 | 98,569 | 98,560 | 98,551 |
| Gold | | 26,464 | 26,446 | 26,431 | 26,417 | 26,404 |
| Platinum | | 580 | 579 | 579 | 578 | 577 |

# Appendix E
# Reliances

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

- Issuer submitted premium and enrollment information for 2017 and for January/February 2018
- Insurers submitted APTC information, including enrollment and premiums, for January/February 2018
- Insurer submitted paid claim continuance tables for 2016 and 2017
- The June 30th Risk Adjustment and Reinsurance Report for the 2016 benefit year produced by CMS[18]
- The 2016, 2017, and 2018 Open Enrollment Report PUF produced by HHS[19] [20] [21]
- Effectuated Enrollment Reports released by CMS[22]
- CBO Analysis on Impact of Repeal of the Mandate[23]
- OACT Analysis on Impact of Repeal of the Mandate[24] [25]
- Information from the Wisconsin Office of the Commissioner of Insurance for estimates of HIT from the 2018 rate filings

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.

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[18] https://www.cms.gov/CCIIO/Programs-and-Initiatives/Premium-Stabilization-Programs/Downloads/Summary-Reinsurance-Payments-Risk-2016.pdf

[19] https://aspe.hhs.gov/health-insurance-marketplaces-2016-open-enrollment-period-final-enrollment-report

[20] https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/Marketplace-Products/Plan_Selection_ZIP.html

[21] https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/Marketplace-Products/2018_Open_Enrollment.html

[22] https://downloads.cms.gov/files/effectuated-enrollment-snapshot-report-06-12-17.pdf

[23] https://www.cbo.gov/system/files/115th-congress-2017-2018/reports/53300-individualmandate.pdf

[24] https://www.cms.gov/Research-Statistics-Data-and-Systems/Research/ActuarialStudies/Downloads/AHCA20170613.pdf

Any impact due to private commercial reinsurance was not reflected in the analyses.

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

- Data Limitations. Wakely received data submissions for full year 2016 and 2017 and emerging 2018 experience from insurers offering individual market ACA-compliant plans. The majority of the insurers submitted all the requested information; however, one insurer with smaller market share did not supply some portion of the information requested. Wakely made adjustments to account for this data omission, and this limitation is not expected to have a significant impact on results. 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.

- Political Uncertainty. There is significant policy uncertainty. Future federal actions in regards to association health plans, short-term duration plans, reinsurance funds, direct enrollment and/or CSR payments could dramatically change premiums and enrollment in 2019 or future years. In particular, CSR funding or a requirement to spread the cost of CSRs across all metal levels could dramatically decrease the pass-through percentage relative to what was estimated in this report.

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

- Premium Uncertainty. Given that several regulations (association plans, short-term duration plans, etc.) have not been finalized, there is uncertainty in how insurers may respond in their 2019 premiums. These uncertainties result in limitations in providing point estimates on reinsurance parameters and impacts of a 1332 waiver.

- 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 exact assumptions and micro-simulation modeling differs from Wakely's models, differences in the pass-through amounts are possible.

[25] https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/Downloads/ProjectionsMethodology.pdf

- Program Integrity. CMS and Exchanges will conduct far more validation on individuals who are applying for subsidies. Given prior experiences with income verification, this is likely to reduce the number of people with APTCs.

- Reinsurance Operations. If actual operations of the reinsurance program differ from the data configurations used in this analysis, Wakely's analysis would need to be adjusted to match actual reinsurance data requirements. Changes to assumed data requirements, actual data requirements, and data submission quality for reinsurance operations may impact the results. Furthermore, if less than $200 million in spent, for example because some funds are used for reinsurance operations, then effects may be different.

# Appendix F
# Disclosures and Limitations

**Responsible Actuary.** Julie Peper and Danielle Hilson are the actuaries responsible for this communication. They are Members of the American Academy of Actuaries and Fellows of the Society of Actuaries. They meet the Qualification Standards of the American Academy of Actuaries to issue 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. Wakely used conservative pass-through assumptions. The extent to which the enrollment experience for 2018 or 2019 is different than expected could affect results. 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.** The responsible actuaries are financially independent and free from conflict concerning all matters related to performing the actuarial services underlying these analyses. In addition, Wakely is organizationally and financially independent 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 may have a material impact on the results included in this report. In addition, many of the assumptions are based on the initial 2018 experiences. Change in emerging 2018 enrollment and experience could impact the results. Additional changes in regulations (e.g., association health plans, short term limited duration plans) could impact findings. For example, since neither of the proposed regulations on these topics have been finalized, they were not included in the analysis.

**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