WISCONSIN HEALTHCARE STABILITY PLAN

JP Wieske, Deputy Commissioner
Office of the Commissioner of Insurance
March 2018
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
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 2nd 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
INSURERS ARE LEAVING THE MARKET

- Decline of on-Exchange insurers:
  - (green 3+, yellow 2, red 1)

- 75,000 enrollees forced to choose a new insurer for their 2018 coverage (some with 1 or 2 options)
Rates are Increasing

Average rate increases since 2014

<table>
<thead>
<tr>
<th></th>
<th>2014-15</th>
<th>2015-16</th>
<th>2016-17</th>
<th>2017-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate Increase</td>
<td>5%</td>
<td>8%</td>
<td>17%</td>
<td>42%</td>
</tr>
</tbody>
</table>

- 2018 average rate increase for 2nd lowest cost silver plans was 50%
  - Much of Northeastern Wisconsin saw an increase of over 100% for the 2nd lowest cost silver plan
**Rate Increase Impact on Consumers**

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

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>% Change</th>
<th>2017</th>
<th>% Change</th>
<th>2018</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dane</td>
<td>$199.03</td>
<td>.30%</td>
<td>$219.75</td>
<td>10.41%</td>
<td>$352.78</td>
<td>60.54%</td>
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<tr>
<td>Brown</td>
<td>$238.46</td>
<td>11.06%</td>
<td>$304.77</td>
<td>27.81%</td>
<td>$625.03</td>
<td>105.08%</td>
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<tr>
<td>Milwaukee</td>
<td>$254.75</td>
<td>-2.12%</td>
<td>$296.52</td>
<td>16.40%</td>
<td>$444.20</td>
<td>49.80%</td>
</tr>
<tr>
<td>Eau Claire</td>
<td>$288.57</td>
<td>11.97%</td>
<td>$349.02</td>
<td>20.95%</td>
<td>$462.59</td>
<td>32.54%</td>
</tr>
</tbody>
</table>
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\textsuperscript{nd} 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
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 4th 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; cms.gov
- OCI Web site: oci.wi.gov
- Written comments on the 1332 Draft Waiver Application may be submitted to OCI via:
  - e-mail: OCI1332WaiverComments@wisconsin.gov
  - or mail:
    ATTN: JP Wieske, Deputy Commissioner
    Wisconsin Office of the Commissioner of Insurance
    PO Box 7873
    Madison, WI 53707-7873