State Based Reinsurance Program: One Step Toward Market Stability

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General State of the Market

- Implementation of the Affordable Care Act (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

Insurer participation in the individual market is necessary for consumers to have access to coverage

2011:

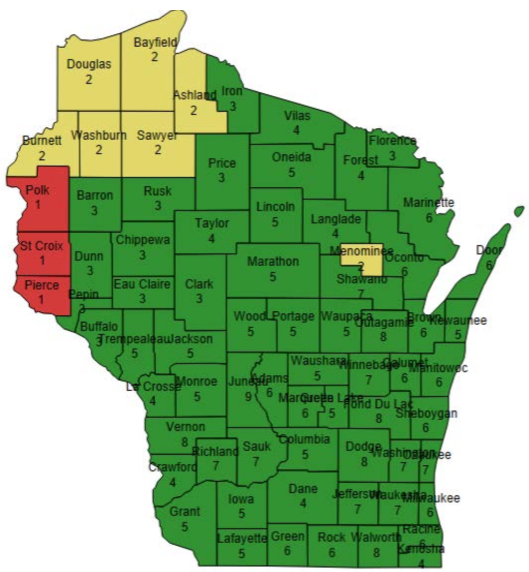
- 28 health insurers actively selling plans in the individual market

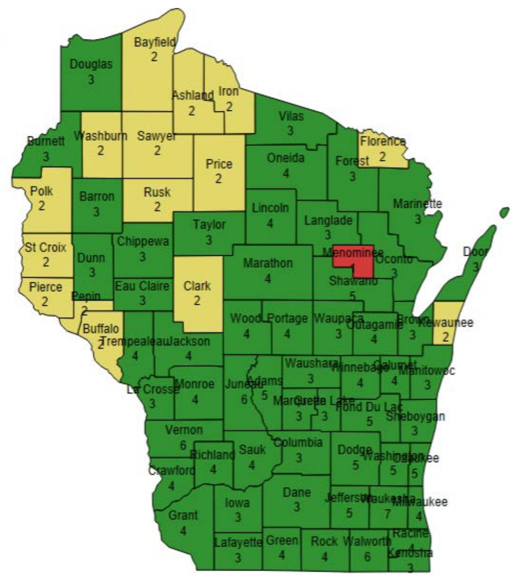
2018:

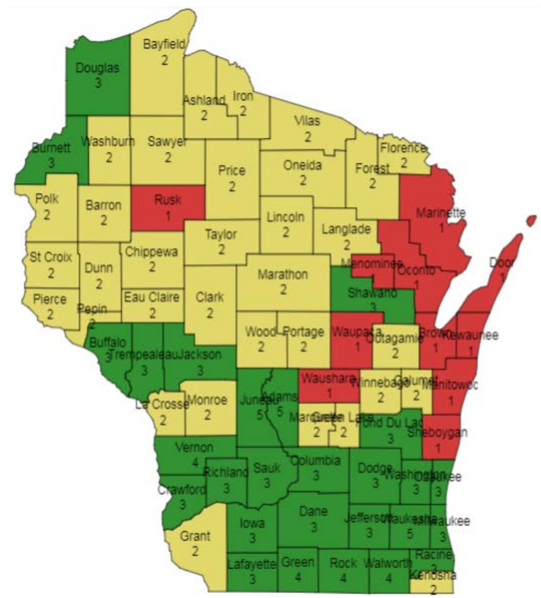
- 16 insurers selling plans in the individual market
  - 11 on Exchange; 5 off Exchange only

Consumer Choice Decreasing

Decline of on Exchange insurers:
2016, 2017, and 2018 (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)

Insurers are Leaving

Recent Exits

- 2017:
  - Humana, Managed Health Services, and UnitedHealthcare left the individual market entirely
  - WPS Health Plan and Physicians Plus left the Exchange
    - To varying degrees these 2 insurers offer plans off Exchange
- 2018:
  - Health Tradition left the individual market entirely
  - 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%	38%

2018 average rate increase for 2nd lowest cost silver plans was 50%

- Much of Northeastern WI saw an increase of over 100%

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% of the federal poverty level (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
    - 2nd 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% of FPL
  - Coverage purchased off Exchange

Rate Increase Impact on Consumers

Rates below reflect 2nd Lowest Cost Silver Increases over the past 3 years for a 21 yr 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%

Insurers Leaving/Rates Increasing: Why?

State of the Risk Pool

- Rates set for 2014 and 2015 assumed a larger and healthier pool of people purchasing coverage
  - Resulted in large insurer losses; $400 million over the past 3 years

- Actual enrollment is skewed toward older enrollees who tend to incur higher health care costs than younger enrollees

  - 34% of WI residents enrolling in coverage for 2017 were between the ages of 55 and 64

  - 16% were in the 26-34 age range

Insurers Leaving/Rates Increasing: Why?

- End of year enrollment totals show decreasing enrollment; leaving fewer lives for insurers to spread the risk across

	2014	2015	2016	2017 (est)	2018 (est)
Covered Lives	155,700	213,900	233,900	214,000	194,500

Federal Government Ended Funding for CSRs

- Since CSR's were found to be illegally funded, the federal government ended reimbursement of costs the insurers incurred in providing CSRs
  - Insurers increased rates to compensate for this loss of funding

Insurers Leaving/Rates Increasing: Why?

High Medical Loss Ratios (MLRs)/End of Federal Reinsurance Program

- MLR is the proportion of premium dollars spent on claims costs

- While MLRs over the past 3 years, on average, exceeded 100%, the federal reinsurance program helped improve overall MLRs:
  - 2014: 116% to 91%
  - 2015: 117% to 101%
  - 2016: 102% to 94%

- The federal reinsurance program in 2016 covered 50% of individuals' annual claims costs between $90,000 and $250,000

1332 Waiver: A Means for State Action

Section 1332 State Innovation Waiver

- Permits a state to pursue innovative strategies to ensure residents have access to affordable health insurance options

- Requires States to:
  - Provide coverage that is as comprehensive and affordable as it was without a waiver;

  - Provide coverage to at least a comparable number of state residents as would be provided absent the waiver; and

  - Ensure no increase to the Federal deficit

1332 Waiver: A Means for State Action

- States pursuing a 1332 Waiver are able to leverage federal "pass through" funds
  - If a state demonstrates that its proposal will reduce the amount of federal funds needed to support federal subsidies, the federal government will "pass through" the difference to the state

  - States with approved waivers will receive millions of federal pass through dollars to help implement their waiver

1332 Waiver: Reinsurance

Legislation authorizes OCI to seek a 1332 Waiver to create a state based reinsurance program, referred to as the Healthcare Stability Plan

- The plan would cover between 50% and 80% of an individual's annual claims costs between $50,000 and $250,000 (paid directly to the insurer)
  - OCI will set a co-insurance rate between 50% and 80% for each plan year
- The program aims to provide relief and predictability around high cost claims
- With the $250,000 cap in place, insurers are incented to invest in medical management

1332 Waiver: Reinsurance

- The plan, as introduced, is funded at $200 million
  - $50 million state funds
  - $150 million federal pass through funds
    - We expect a 70% to 80% pass through rate
      - The legislation assumes a 75% pass through rate
- Wisconsin can also apply for any federal funds made available through later Congressional action
- Other states have received federal approval for 1332 Waivers for reinsurance
  - Alaska
  - Minnesota
  - Oregon

1332 Waiver: Reinsurance

WI Healthcare Stability Plan Impact on Rates

- 2019 rates estimated to be 13% lower than they would have been without the program
  - Results in a 2% rate increase for 2019 rather than a 15% rate increase

- 2020 rates estimated to be 12% lower than they would have been without the program
  - Results in a 2% decrease in rates rather than an 11% rate increase

1332 Waiver: Reinsurance

WI Healthcare Stability Plan is <u>One Step</u> Towards a more Stable Market

- Helps insurers to manage high risk enrollees and create a broader pool of people to absorb all other risk
  - Step toward preventing more insurer exits and improving consumer access
- Lowers rates to keep people in the market and attract new entrants
  - A step toward financial relief for those not eligible for subsides and a step toward a healthier risk pool
- Retains federal subsidies for individuals with incomes between 100% and 400% FPL

1332 Waiver: Reinsurance

High Level Timeline

- Late February: Legislation is passed/signed by the Governor
- Month of March: Public Comment Period/Public Hearings/Tribal Consultation
- Early April: Submit Waiver Application
- Early September: Waiver Approval
- January 2019: Reinsurance Program Operational

1332 Waiver: Innovative Solutions

Individual Market Reform does not end with Reinsurance

- Legislation requires OCI, by December 31, 2018, to recommend additional waiver options that would help stabilize the individual market

QUESTIONS?

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