



# Rhode Island's 1332 Waiver Extension Application

July 8, 2024

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July 8, 2024

The Honorable Xavier Becerra  
Secretary, U.S. Department of Health & Human Services  
200 Independence Avenue, S.W.  
Washington, D.C. 20201

The Honorable Janet Yellen  
Secretary, U.S. Department of the Treasury  
1500 Pennsylvania Avenue, N.W.  
Washington, D.C. 20220

Secretary Becerra and Secretary Yellen:

The State of Rhode Island submits for your review and consideration the enclosed application for a State Innovation Waiver extension under §1332 of the Affordable Care Act (ACA). Rhode Island seeks to continue its reinsurance program via the attached waiver application and appendices. We appreciate your consideration of this application and the opportunity it provides our state to protect Rhode Islanders from market instability and rate volatility.

Expanding and improving access to quality health care and achieving near universal coverage in Rhode Island continues to be a priority for Rhode Island. Through the successful implementation of the ACA and our state's collective leadership across all sectors of the health care community – providers, insurers, consumer advocates, government, and the business community – more than 97% of Rhode Islanders are now insured. Rhode Island's marketplace, HealthSource RI, has some of the most affordable plans in the nation. While the state's market has been relatively stable, absent this waiver extension the future is more precarious, particularly and most immediately for the individual and small group markets. Absent the action proposed through this waiver application, this trend will continue at an unsustainable pace and middle-class families and our smallest businesses will be priced out of the market.

Approval of this waiver extension will help stabilize our market and protect Rhode Islanders by preserving their access to affordable health care. Based on expert analysis, as outlined in the attached application, the reinsurance program has been critical to stabilizing Rhode Island's individual health insurance market, resulting in average premium rates that were approximately 5% lower than they would have been without the waiver. Rhode Island's program relies on the approval of this waiver extension request, as well as the federal pass-through savings created by reducing advanced premium tax credits as a result of the reinsurance program.

We appreciate the opportunity to propose extending this innovative strategy that gives Rhode Island a critical tool in its work to protect our markets and meet the needs of our marketplace customers. With your partnership, we can protect Rhode Islanders from large, unsustainable premium increases, keep people covered, and preserve the progress we have made in reaching near-universal health coverage. Thank you for your consideration of Rhode Island's application.

Sincerely,



Lindsay Lang  
Director, HealthSource RI

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## Section 1: Rhode Island's 1332 Waiver Extension Request

### ***Waiver Request & Timeframe***

The State of Rhode Island, through the state's health benefit exchange, HealthSource RI (HSRI) submits this 1332 State Innovation Waiver (waiver) extension request to the Centers for Medicare & Medicaid Services (CMS) in the United States Department of Health and Human Services (HHS), and the Department of Treasury (DOT) (collectively "the Departments").

Currently, Section 1312(c)(1) of the Affordable Care Act (ACA) is waived for years 2020 through 2024 to allow Rhode Island to waive the single risk pool requirement in the individual market and thus implement its state reinsurance program. With this application, Rhode Island requests an extension of its waiver for an additional five-year period, beginning January 1, 2025, and ending December 31, 2029, to continue operating the reinsurance program.

Rhode Island requests a waiver extension without substantive change. The five-year extension is the only requested change to the existing waiver. The waiver extension will continue to abide by the Specific Terms and Conditions set forth by CMS, including those impacting program design; adhere to the guardrails established by Section 1332 as well as principles laid out in guidance from CMS; and will not affect other provisions of the ACA.

A waiver extension will support HealthSource RI's continued success in making health insurance more affordable and accessible to Rhode Islanders.

### ***Rhode Island State Reinsurance Program Overview***

In 2018, the Rhode Island General Assembly passed, and Governor Gina Raimondo signed the Rhode Island Market Stability and Reinsurance Act, to establish a reinsurance program to mitigate rising health insurance premiums in Rhode Island beginning in 2020. On August 26, 2019, the Department of Health and Human Services and Department of Treasury approved Rhode Island's application to waive the single risk pool requirement in the individual market, for a period of five years, under section 1312(c)(1) of the Patient Protection and Affordable Care Act to implement a state-based reinsurance program.

Following federal approval of the state's original 1332 waiver application, HealthSource RI, in consultation with the Rhode Island Office of the Health Insurance Commissioner, implemented a state reinsurance program beginning January 1, 2020.

### ***Administration***

The Rhode Island Reinsurance Program (the reinsurance program) is administered by HealthSource RI and operates under state rules and regulations. These rules define carrier reporting requirements, specify how reinsurance payment parameters are determined and reinsurance payments made, establish the duties of the administrator, and provide for document retention requirements and program oversight.<sup>12</sup> RI has retained Wakely Consulting Group as the actuarial vendor which analyzes the effects of a state-based reinsurance program on the individual market on an annual basis, and supports the annual development of reinsurance parameters. Parameter setting includes establishing an attachment point, cap, and coinsurance rate for the reinsurance program for the upcoming year based on anticipated revenue and recently reported premium, enrollment, and claims data. As well, Wakely supports

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<sup>1</sup> <https://rules.sos.ri.gov/regulations/part/220-90-00-2>

<sup>2</sup> [https://risos-apa-production-public.s3.amazonaws.com/DOA/REG\\_12355\\_20211220133342.pdf](https://risos-apa-production-public.s3.amazonaws.com/DOA/REG_12355_20211220133342.pdf)

the state in calculating the total annual reinsurance payment owed to each reinsurance-eligible issuer in accordance with the program rules and regulations. The program issues reinsurance payments to all reinsurance-eligible issuers on an annual basis in the year following each benefit year.

The reinsurance program has been critical to stabilizing our individual health insurance market, resulting in average premium rates that were about 5% lower than they would have been without the waiver. This net premium reduction has helped to stabilize enrollment in the individual market, ensuring that the risk pool remains healthy and predictable.

**Funding**

The Reinsurance Program is funded with both federal pass-through funds and a shared responsibility payment for Rhode Islanders who do not maintain health insurance coverage in accordance with RI’s insurance mandate statute.

Rhode Island’s health insurance mandate took effect January 1, 2020.<sup>3</sup> The mandate is a state law that requires all Rhode Islanders (except those who are specifically exempt under the law) have "qualifying health coverage" beginning January 1, 2020. Sources of "qualifying health coverage" include coverage through an employer; coverage purchased directly from a health insurance carrier; Medicare; Medicaid; or a health plan purchased through HealthSource RI. Failure to have coverage during the tax year may result in a Rhode Island personal income tax penalty during tax filing season. The law also directs that such penalties will be collected by the RI Division of Taxation and maintained in a restricted receipt account which can be used for the operation and funding of the reinsurance program.

**Parameters**

**Table 1. RI Reinsurance Program Payment Parameters, 2020-2024**

RI Reinsurance Program (Estimate / Actual)							
Year	State Funds <sup>4</sup>	Federal Pass Through	Total Reinsurance Payments	Claims Parameters		Coinsurance Rate	
				Attachment Point	Cap	Target	Actual
2020	\$5,578,912	\$5,239,671	\$10,818,583	\$40,000	\$97,000	50.0%	39.70%
2021	\$6,428,838	\$12,392,493	\$18,821,331	\$30,000	\$72,000	50.0%	52.90%
2022	\$5,177,414	\$9,733,677	\$14,911,091	\$30,000	\$65,000	40.0%	44.60%
2023	\$6,300,000	\$10,758,473	\$17,058,473	\$30,000	\$61,500	40.0%	TBD
2024	\$6,334,534	\$9,554,994	\$15,889,528	\$30,000	\$59,000	37.0%	TBD

**Section 2: Updated Economic or Actuarial Analyses for Extension Period**

Please see Attachment A: Wakely Actuarial and Economic Analysis for Continuation of Rhode Island’s 1332 Waiver. This analysis provides projected economic indicators and an actuarial analysis which provides predicted parameters and outcomes for the 5-year extension period 2025-2029.

<sup>3</sup> <http://webserver.rilin.state.ri.us/Statutes/TITLE44/44-30/44-30-101.HTM>

<sup>4</sup> Amount shown is the total after administrative costs.

### Section 3: Program Evaluation and Outcomes

The reinsurance program has been critical to stabilizing RI's individual health insurance market. Between 2017 and 2019, the average monthly premium for HealthSource RI customers not eligible for tax credits **increased** by 26%. Since the introduction of the reinsurance program, premiums have been on average 5% **lower** than they would have been absent a waiver.<sup>5</sup> This premium reduction has helped to stabilize enrollment in the individual market, ensuring that the risk pool remains healthy and predictable. The state is applying for a five-year extension to its waiver for the purpose of maintaining the gains Rhode Island's 1332 waiver has achieved.

Wakely's report provides evidence that the reinsurance program has been critical to stabilizing RI's individual health insurance market.<sup>6</sup> Wakely's analysis shows in detail how the reinsurance program has been successful in improving affordability in RI's individual health insurance market. In particular, the reinsurance program significantly reduced premiums in the non-group market, with a net premium reduction between 4.9% (2024) and 7.4% (2021). Annual reduction in premium per enrollee ranged from \$342 (2024) and \$456 (2021). This net premium reduction has helped to stabilize enrollment in the individual market, ensuring that the risk pool remains healthy and predictable.

Wakely's Actuarial and Economic Analysis explains in detail that the current reinsurance program under the 1332 waiver has met all the required guardrails, and the requested extension waiver will meet all the guardrails as well.<sup>7</sup> Wakely's findings concerning guardrail compliance in summary:

- **Comprehensiveness:** As the program under the current waiver has done, the waiver extension will allow for plans that are as comprehensive as current plans in Rhode Island.
- **Affordability:** The average premium paid by Rhode Islanders for non-group plans was reduced by approximately 5% because of the waiver, and the extension waiver is expected to have a similar impact.<sup>8</sup>
- **Coverage:** The waiver caused an increase in enrollment ranging from 0.7% to 1.1% over the waiver period, and the number of carriers offering plans on the Exchange remained consistent over the waiver period, indicating that the waiver extension is likely to continue to improve access to coverage for Rhode Islanders.
- **Deficit Neutrality:** The reduction of premiums paid by members as well as the improved morbidity due to greater access to healthcare results in fewer federal funds spent on Advance Premium Tax Credits (APTC) in the state. These results serve to reduce the federal money spent and have a positive effect on the federal deficit. The extension of the 1332 waiver is expected to continue this trend.

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<sup>5</sup> State of Rhode Island Section 1332 State Innovation Waiver Extension Actuarial and Economic Analysis.

<sup>6</sup> Ibid

<sup>7</sup> Ibid

<sup>8</sup> This 5% estimate is based on issuers' 2024 rate filings and Wakely's analysis conducted as part of 2024 passthrough reporting in the fall of 2023.

**Table 2: Rhode Island’s reinsurance program has been successful in improving affordability in RI’s individual health insurance market.<sup>9</sup>**

	2020 <sup>5</sup>	2021	2022	2023	2024
Premium Change with Reinsurance	-0.6%	4.0%	1.9%	5.8%	6.0%
Premium Change without Reinsurance	7.0%	12.3%	8.0%	11.7%	11.5%
<b>Impact of Reinsurance</b>	<b>-7.1%</b>	<b>-7.4%</b>	<b>-5.7%</b>	<b>-5.3%</b>	<b>-4.9%</b>
<b>Annual Reduction per Enrollee</b>	<b>\$417</b>	<b>\$456</b>	<b>\$358</b>	<b>\$359</b>	<b>\$342</b>

The impact of reinsurance has helped to stabilize enrollment in the health insurance exchange individual market, ensuring that the risk pool remains healthy and predictable.

**Table 3: Rhode Island’s reinsurance program has been successful in continued enrollment stabilization in the marketplace<sup>10</sup>**

Individual Plan Selections by Year in Rhode Island		
Before Reinsurance Program	2014	28,485
	2015	31,337
	2016	34,670
	2017	29,456
	2018	33,021
	2019	34,533
Reinsurance Program	2020	34,634
	2021	31,174
	2022	32,345
	2023	29,626
	2024	36,121

#### Section 4: Evidence of Sufficient Authority Under State Law

The Rhode Island General Assembly passed legislation in 2018 authorizing HSRI to pursue a 1332 waiver to establish a reinsurance program to stabilize the state’s individual market.

Additional legislation was passed in 2019 to establish a state revenue source for the reinsurance program through the implementation of an individual mandate penalty.

- The Rhode Island Market Stability and Reinsurance Act, R.I. Gen. Laws § 42-157.1, passed and was signed into law on July 2, 2018.<sup>11</sup> This law authorizes the director of the state’s exchange, HSRI, to establish and implement a state-based reinsurance program, and to provide reinsurance to carriers that offer health insurance coverage on the state’s individual market that meets the requirements of a waiver approved under the Rhode Island Market Stability and Reinsurance Act.

<sup>9</sup> Ibid

<sup>10</sup> [KFF – Marketplace Enrollment, 2014-2024: Annual Open Enrollment Report: number of plan selections represents a point-in-time measurement of enrollment at the end of the annual open enrollment period for each plan year.](#)

<sup>11</sup> [webserver.rilegislature.gov/Statutes/TITLE42/42-157.1/INDEX.htm](http://webserver.rilegislature.gov/Statutes/TITLE42/42-157.1/INDEX.htm)

- R.I. Gen. Laws § 44-30-101 authorized the state to establish a health insurance mandate by Jan 1, 2020, and to impose financial penalties on certain Rhode Islanders not meeting the statute's requirements.<sup>12</sup> The legislation also authorizes the state to utilize any penalties collected under this statute as a state funding source for its individual market reinsurance program.

## Section 5: Public Input

### ***Tribal Consultation***

HSRI engaged in a separate process for tribal consultation with representatives of the Narragansett Indian Tribe, which is the only federally-recognized Tribal entity in Rhode Island. HSRI notified tribal leadership on March 13, 2024 of Rhode Island's intent to submit an application to extend its 1332 waiver and offered a meeting for the purpose of tribal consultation. HSRI followed up on May 24, 2024 to notify the Tribe of the public comment period and provide a link to Rhode Island's draft application. No comments were received on this waiver request. See Attachment B for further details on Tribal Consultation.

### ***Public Posting and Comment***

Attachment C contains evidence of public posting of the submitted letter of interest for a 1332 waiver extension request on the state's website.

On **May 24, 2024** HSRI opened public comment on this waiver request and posted notice of the opportunity to comment on the Marketplace's website at [www.healthsourceri.com/1332waiver](http://www.healthsourceri.com/1332waiver).

On the same date, HSRI sent notice via email to its list of interested parties and stakeholders. The list is comprised of individuals and organizations with an expressed or demonstrated interest in health insurance-related matters. See Attachment E for list of interested parties and stakeholders. Members of the public were invited to attend the public hearing and were also invited to submit written public comments on this waiver request.

HSRI held a **public hearing on June 7, 2024** at the location below. See Attachment F for a copy of the public presentation.

*HealthSource RI  
Large Conference Room  
One Capitol Hill, 3<sup>rd</sup> Floor  
Providence, RI 02908  
(401) 574-8211*

The public comment period closed on **Monday, June 24, 2024**.

No members of the public attended the hearing and no public comments were received on this waiver request.

## Section 6: Reserved for Potential Future Federal Questions

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<sup>12</sup> <http://webserver.rilin.state.ri.us/Statutes/TITLE44/44-30/44-30-101.HTM>

## State of Rhode Island

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

July 9, 2024

Prepared by:

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## Introduction

The individual health insurance market in the state of Rhode Island (“Rhode Island”) has shown signs of improving since the approval and introduction of its reinsurance based 1332 waiver. In the years preceding the introduction of the reinsurance program, between 2017 and 2019, the average monthly premium for HealthSource RI customers not eligible for tax credits increased by 26%<sup>1</sup>. Since the introduction of the reinsurance program, premiums have been on average 6% lower than they would have been absent a waiver.

In order to mitigate further potential destabilization, Rhode Island submitted a Section 1332 State Innovation Waiver (“1332 waiver” or “waiver”) effective for the 2020 benefit year. The Affordable Care Act (ACA) permits states to waive certain provisions of the ACA in order to increase access to affordable coverage. This waiver was approved by both of the Secretaries of Health and Human Services (HHS) and Treasury. Since the waiver went into effect, Rhode Island’s rates have been lower than they otherwise would have been. To maintain the gains Rhode Island’s 1332 waiver achieved, it is applying for a five-year extension to its waiver. This document is the actuarial and economic analysis for the extension application.

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

The waiver, as proposed, would continue to reduce premiums through the continuation of a state-based reinsurance program that started in 2020. The reinsurance program would operate in the same fashion as the current 1332 waiver operates in that it would reimburse insurers for a proportion (coinsurance amount) of high-cost enrollee claims between a lower bound (attachment point) and an upper bound (cap). The reinsurance program will be funded, contingent on approval of the 1332 waiver, through a sum sufficient state appropriation and federal pass-through funds, for the 2025 to 2029 plan years.

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

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<sup>1</sup> Internal HSRI analysis of unsubsidized customer premiums.

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

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

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

## Background

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

## Comprehensiveness

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

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<sup>2</sup> [https://healthsourceri.com/wp-content/uploads/190708\\_FinalApplicationPackage.pdf](https://healthsourceri.com/wp-content/uploads/190708_FinalApplicationPackage.pdf)

## Affordability

As part of an analysis for the Rhode Island reinsurance program that is the subject of this 1332 waiver extension, Wakely examined the effect of the waiver on 2024 average premiums for non-group plans. Overall, Wakely estimated that the average premium paid by Rhode Islanders was reduced by approximately 5% due to the effect of the waiver.<sup>3</sup> Furthermore, a review of historical issuer rate filings with and without waiver in place suggested that the waiver reduced premiums (compared to if the waiver was not in place) by 7.4%, 5.7%, and 5.3% in 2021, 2022, and 2023 respectively. The extension of the waiver is expected to have a similar impact to the premiums paid by Rhode Islanders, and therefore the extension will provide for plan options that meet the affordability guardrail.

**Table 1. Member Premium Changes with and without Reinsurance<sup>4</sup>**

	2020 <sup>5</sup>	2021	2022	2023	2024
Premium Change with Reinsurance	-0.6%	4.0%	1.9%	5.8%	6.0%
Premium Change without Reinsurance	7.0%	12.3%	8.0%	11.7%	11.5%
<b>Impact of Reinsurance</b>	<b>-7.1%</b>	<b>-7.4%</b>	<b>-5.7%</b>	<b>-5.3%</b>	<b>-4.9%</b>
<b>Annual Reduction per Enrollee</b>	<b>\$417</b>	<b>\$456</b>	<b>\$358</b>	<b>\$359</b>	<b>\$342</b>

## Coverage

Wakely also analyzed the effect of the waiver on membership and found that the waiver caused an increase in enrollment ranging from of 0.7% to 1.1% over the waiver period.<sup>6</sup> In addition, the number of carriers offering plans on the Exchange remained consistent over time from 2020 to 2024. These factors indicate that the waiver extension is likely to continue to provide access for Rhode Islanders to health care.

## Deficit Neutrality

In each year of Rhode Island’s 1332 waiver, the state has received federal pass-through funds, which is reflective of the fact that the program has reduced federal spending. The reduction of premiums paid by members as well as the improved morbidity due to greater access to healthcare

<sup>3</sup> The estimate is based on issuers’ 2024 rate filings and Wakely’s analysis conducted as part of 2024 passthrough reporting in the fall of 2023.

<sup>4</sup> The Premium Change with Reinsurance and the Impact of Reinsurance were calculated based on issuer rate filings and weighted by historical total premium revenue. The Premium Change without Reinsurance was calculated from these two numbers. The Impact of Reinsurance may vary from the CMS reported impact due to different weightings used in the calculations.

<sup>5</sup> Source: <https://ohic.ri.gov/sites/g/files/xkgbur736/files/documents/2019/September-2019/Revised-Release/Rhode-Island-Health-Insurance-Premiums-Significantly-Reduced-for-2020.pdf>

<sup>6</sup> The estimates are based on the take up function resulting from a decrease in premiums among the unsubsidized enrollees in the market.

results in fewer federal funds spent on Advance Premium Tax Credits (APTC) in the state. These results serve to reduce the federal money spent and have a positive effect on the federal deficit. The extension of the 1332 waiver is expected to continue this trend and therefore no increase to the federal deficit is anticipated. The reinsurance program under the current 1332 waiver is funded by federal pass-through funds and Rhode Island state funds, generated by insurance mandate revenue.

## Analysis Results - Extension

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

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

Throughout this report, the estimates reflect the current law and thus assume that provisions of the American Rescue Plan (ARP), particularly the enhanced premium subsidies for individuals purchasing health coverage on the Exchange, are not in effect in 2026 and beyond unless otherwise noted.

**Table 2: High-Level Guardrail Results**

Guardrail	Effect of Waiver
Coverage	Increases enrollment by 0.6% to 0.7%
Affordability	Reduces premiums by 3.9% to 5.6%
Comprehensiveness	No Impact
Deficit Neutrality (5-year)	\$44.5 million savings

### Coverage, Affordability, and Comprehensiveness

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

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

<sup>8</sup> [https://obamawhitehouse.archives.gov/sites/default/files/page/files/201701\\_individual\\_health\\_insurance\\_market\\_cea\\_issue\\_brief.pdf](https://obamawhitehouse.archives.gov/sites/default/files/page/files/201701_individual_health_insurance_market_cea_issue_brief.pdf)

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

## Deficit Impact

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

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

	2025	2026	2027	2028	2029
Premium	-5.6%	-4.6%	-4.4%	-4.1%	-3.9%
Individual Enrollment	0.7%	0.7%	0.7%	0.6%	0.6%
Federal Savings (\$ millions)	\$11.5	\$8.4	\$8.2	\$8.2	\$8.2

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

## 2025 Scenario Testing

Wakely performed scenario testing, which primarily involved changing enrollment and premiums. Given the uncertainty around the impact of Medicaid redetermination on the ACA enrollment in 2024 (and the subsequent impact on 2025), as well as issuer premium increases, we have modeled three baseline scenarios (without the impact of reinsurance) evaluating the impact on 2025 benefit year:

**Low:** This baseline scenario assumes a lower increase in 2025 enrollment from 2023, assuming low level of redetermination related enrollment in 2024, along with lower medical trends in 2024-2025 and lower premium rate increases.

**Best:** This baseline scenario assumes moderate 2025 enrollment from 2023; best estimate level of redetermination related enrollment is assumed in 2024, along with medical trends in 2024-2025 of similar magnitude to the longer term historical trends in the market along with average premium rate increases.

**High:** This baseline scenario assumes a higher increase in 2025 enrollment from 2023, with higher estimate level of redetermination related enrollment is assumed in 2024, along with higher medical trends in 2024-2025 leading to higher premium increases; additionally,

we assumed a market average impact of the reinsurance program to the SLCS benchmark premium.

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

**Table 4: 2025 High-Level Results of Scenario Testing**

Scenario	1	2	3
Description	Best	Lower Enrollment, Lower Premiums	Higher Enrollment, Higher Premiums
Total Change in Premiums relative to Baseline	-4.9%	-5.6%	-9.4%
Estimated Net Federal Savings (millions)	\$8.4	\$11.5	\$25.5

## Actuarial Certification

I, Ksenia Whittal, a senior consulting actuary with the firm of Wakely Consulting Group, LLC, an HMA Company (Wakely), am a Fellow of the Society of Actuaries and a member of the American Academy of Actuaries, and am qualified to provide the following certification.

Wakely was retained by the State of Rhode Island to support the State's waiver extension application for a State Innovation Waiver under Section 1332 of the Patient Protection and Affordable Care Act (ACA). The State is seeking to waive certain provisions of the ACA in order to increase access to affordable coverage. This certification may not be appropriate for other purposes.

To the best of my information, knowledge and belief, the State of Rhode Island's 1332 Waiver application complies with the following criteria:

**Scope of Coverage.** The Section 1332 Waiver will provide coverage to at least as many number of Rhode Islanders as would be covered without the waiver.

**Affordability.** The Section 1332 Waiver will provide coverage and premium subsidies that result in coverage that is at least as affordable for the Rhode Islanders as without the waiver.

**Comprehensiveness of Coverage.** The Section 1332 Waiver will provide coverage that is at least as comprehensive for Rhode Islanders as would be provided without the waiver.

**Deficit Neutrality.** The Section 1332 Waiver will not result in increases in the federal deficit.

In performing analyses underlying this certification, I have relied on the State of Rhode Island and others for data and assumptions. I 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, the conclusions of the analysis may be impacted, potentially significantly.

Actuarial methods, considerations, and analyses used in this certification conform to the appropriate Standards of Practice as promulgated by the Actuarial Standards Board.



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Ksenia Whittal  
Senior Consulting Actuary  
Fellow, Society of Actuaries  
Member, American Academy of Actuaries

July 9, 2024

## Appendix A – Data and Methodology

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### 2025 Baseline Enrollment and Premium Estimates

Wakely analyzed the 2024 and 2025 individual market data, including average enrollment, premium, and claim data and estimated the 2025 market. To do this, Wakely completed the following steps:

1. Rhode Island’s insurers submitted 2024 and emerging 2025 enrollment, claims (2024 only), premium, and APTC information. Minor adjustments were made to obtain the estimated average enrollment and premium estimates for 2025. Adjustments accounted for attrition in enrollment throughout the year.
2. 2025 premium amounts were estimated from the 2024 and 2025 base data. 2025 premium increases were based on issuer data trended to 2025, and an estimate of target loss ratio based on 2024 URRT data. Similar adjustments were made to gross premiums for APTC members. Net premiums were adjusted both for inflation increases, and for scenarios where ARP is expiring (including the best estimate), adjustments to account for market changes due to the plan metal shifts, changes in the income and age distributions, and morbidity.
3. Given the regulatory uncertainty around the American Rescue Plan (ARP), we assumed that for the best scenario the ARP would expire at the end of 2025. This scenario aligns with current law/expectations.
4. To estimate the 2026 baseline, Wakely estimated continued enrollment attrition due to the ending of ARP enhanced subsidies. Wakely also increased premiums by a reasonable trend amount (5.9%) and net premiums for APTC members were increased by 2.5%.

### Waiver Effects

1. To estimate pass-through amounts and impact of the waiver, Wakely developed a 2025 baseline market without reinsurance for both premiums and enrollment. Using these assumptions and the various total funding amounts, the pass-through was estimated, with the resulting funding being the state amount. One key assumption in this calculation was the impact to premiums due to reinsurance. Wakely made several assumptions:
  - a. Wakely assumed that the premium impact would be reduced by the amount of reinsurance funding, variable non-benefit expense loads, and modest morbidity improvements.

- b. The impact to the SLCS plan, on which the APTCs and pass-through are based, was assumed to be slightly lower the overall impact to the market similar to prior years. If the premium impact to the SLCSs is closer to the market, the pass-through could be higher.
- c. A PTC adjustment was assumed to reduce the APTC savings to PTC savings. For the ARP ends scenarios, a PTC adjustment similar to pre-ARP years was used. For the ARP continues scenario, an adjustment similar to 2022 was used.

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

**Table 5: 2022 to 2024 Average Enrollment and Premium Data Best Estimates with Waiver**

	2022 Actual	2023 Actual	2024 Estimated
<b>Average Annual Enrollment</b>			
Total Individual Market	40,763	39,366	45,250
Exchange	30,633	29,764	36,018
APTC	25,969	25,092	30,272
Non-APTC Exchange	4,665	4,671	5,746
Off-Exchange	10,130	9,603	9,231
Total Non-APTC	14,794	14,274	14,977
<b>Premiums PMPM</b>			
Total Individual Premium	\$497	\$532	\$549
Gross Premiums for APTC Members	\$489	\$537	\$551
Net Premiums for APTC Members	\$93	\$111	\$118
APTC	\$397	\$426	\$433
<b>Total Annual Dollars<sup>9</sup></b>			
Total Individual Premiums (millions)	\$242.5	\$251.1	\$297.9
Total APTCs (millions)	\$123.6	\$128.2	\$157.1

## Beyond 2025

For years beyond 2025, Wakely made the following assumptions specific to the best estimate, where ARP does not extend past 2025:

1. Baseline premiums (both total individual and on-Exchange) as well as Gross Premium Amounts for individuals with APTC were adjusted for trended by the market average

<sup>9</sup> Note total premiums and APTCs are rounded.

premium change in 2023 and 2024 benefit years. In 2026, baseline premiums were also adjusted for the changes in the market morbidity (assuming the healthiest enrollees would leave the market after ARP expiration), demographics, and plan metal buy-down.

2. APTC Net Premiums were increased 2.5% annually after 2026 to account for indexing.
3. In 2027-2029, the enrollment was assumed constant. That is, the impact of ARP was assumed to be complete as of 2027.
4. The impact of reinsurance was assumed to reduce claims by the total amount state funding and the federal savings in each year. The state funding amount was kept constant at \$6.27 million in each year.

## **Alternative Scenarios**

Wakely estimated two additional 2025 scenarios to analyze the robustness of the initial findings. Instead of analyzing various scenarios, Wakely focused on analyzing a “low” and a “high” scenario where many of the assumptions would result in lower/higher APTC savings. These scenarios are intended to be end points for a reasonable range of scenarios.

The first alternative scenario, the “low” scenario, assumes lower enrollment than the best scenario. Enrollment could be lower based on the economic conditions at the time of redetermination ending, as well as the ability for Exchanges to attract and keep the newly eligible enrollees. Given the uncertainty, Wakely set enrollment for this scenario to be lower than the best estimate enrollment. Additionally, Wakely adjusted premiums to increase at a lower rate than in the best estimate.

The second alternative scenario, the “high” scenarios, assumes a higher enrollment relative to the best estimate scenario. Premiums were assumed to be higher than the best estimate.

Each scenario produced a decrease in the state average premiums PMPM in 2025 between 4.9% and 9.4%, corresponding to Federal savings ranging from \$8.4 to \$25.5 million. Scenario 1 is the best estimate scenario. This scenario was used for the 5-year economic analysis.

Given the uncertainty around the continuation of the enhanced ARP subsidies in 2026, Wakely modeled additional scenario for 2026 in the event ARP is extended. Table 7 presents the results of this scenario, which are consistent with 2025 experience.

**Table 6: Summary of Alternative Scenario Results for 2025**

Scenario Description	1 Best	2 Low	3 High
<b>Baseline</b>			
Total Individual Enrollment	45,800	44,400	47,200
Exchange Enrollment	37,200	35,800	38,600
APTC Enrollment	31,100	29,800	32,500
Total Individual Premium PMPM	\$629	\$608	\$669
Exchange Premium PMPM	\$608	\$618	\$680
APTC PMPM	\$513	\$493	\$588
Total Individual Premiums (millions)	\$346.0	\$324.1	\$379.2
Total APTCs (millions)	\$191.8	\$175.9	\$229.2
<b>With Reinsurance Waiver</b>			
Reduction in Premiums	-5.4%	-4.7%	-9.1%
Total Individual Premium PMPM	\$594	\$579	\$606
Exchange Premium PMPM	\$575	\$589	\$620
APTC PMPM	\$482	\$468	\$521
Percent Change in Total Enrollment	0.7%	0.7%	1.2%
Total Individual Enrollment	46,200	44,700	47,800
Exchange Enrollment	37,300	35,900	38,900
APTC Enrollment	31,100	29,800	32,500
Total Individual Premiums (millions)	\$328.9	\$310.4	\$348.0
Total APTCs (millions)	\$180.0	\$167.0	\$203.4
<b>Total Waiver Savings</b>			
Estimated APTC Savings (millions)	\$11.7	\$8.8	\$25.8
Estimated PTC Adjustment	98.0%	95.0%	99.0%
Estimated Federal Savings (millions)	\$11.5	\$8.4	\$25.5

**Table 7: Summary of Alternative Scenario Results for 2026**

Scenario Description	2026 No ARP	2026 ARP
<b>Baseline</b>		
Total Individual Enrollment	42,200	45,800
Exchange Enrollment	31,800	37,200
APTC Enrollment	26,600	31,100
Total Individual Premium PMPM	\$691	\$666
Exchange Premium PMPM	\$668	\$644
APTC PMPM	\$559	\$547
Total Individual Premiums (millions)	\$350.2	\$366.2
Total APTCs (millions)	\$178.5	\$204.5
<b>With Reinsurance Waiver</b>		
Reduction in Premiums	-4.4%	-4.7%
Total Individual Premium PMPM	\$661	\$635
Exchange Premium PMPM	\$638	\$614
APTC PMPM	\$532	\$520
Percent Change in Total Enrollment	0.7%	0.7%
Total Individual Enrollment	42,500	46,100
Exchange Enrollment	31,900	37,300
APTC Enrollment	26,600	31,100
Total Individual Premiums (millions)	\$336.9	\$351.4
Total APTCs (millions)	\$169.8	\$194.3
<b>Total Waiver Savings</b>		
Estimated APTC Savings (millions)	\$9.0	\$10.6
Estimated PTC Adjustment	93.0%	93.0%
Estimated Federal Savings (millions)	\$8.4	\$9.9

**Table 8: Best Estimate Baseline and With Waiver Projection During Extension Period, 2025-2029<sup>10</sup>**

Description	2025	2026	2027	2028	2029
<b>Baseline</b>					
Total Individual Enrollment	45,800	42,200	41,600	41,600	41,600
Exchange Enrollment	37,200	31,800	31,300	31,300	31,300
APTC Enrollment	31,100	26,600	25,800	25,800	25,800
Total Individual Premium PMPM	\$629	\$691	\$732	\$775	\$820
Exchange Premium PMPM	\$608	\$668	\$707	\$749	\$793
APTC PMPM	\$513	\$559	\$596	\$636	\$678
Total Individual Premiums (millions)	\$346.0	\$350.2	\$365.3	\$386.7	\$409.4
Total APTCs (millions)	\$191.8	\$178.5	\$184.8	\$197.1	\$210.1
<b>With Reinsurance Waiver</b>					
Reduction in Premiums	-5.4%	-4.4%	-4.2%	-4.0%	-3.7%
Total Individual Premium PMPM	\$595	\$661	\$701	\$744	\$789
Exchange Premium PMPM	\$575	\$638	\$678	\$719	\$763
APTC PMPM	\$483	\$532	\$569	\$609	\$651
Percent Change in Total Enrollment	0.9%	0.7%	0.7%	0.5%	0.5%
Total Individual Enrollment	46,200	42,500	41,900	41,800	41,800
Exchange Enrollment	37,300	31,900	31,400	31,400	31,400
APTC Enrollment	31,100	26,600	25,800	25,800	25,800
Total Individual Premiums (millions)	\$329.5	\$336.9	\$352.2	\$373.6	\$396.3
Total APTCs (millions)	\$180.5	\$169.8	\$176.4	\$188.7	\$201.7
<b>Total Waiver Savings</b>					
Estimated APTC Savings (millions)	\$11.5	\$9.0	\$8.8	\$8.8	\$8.8
Estimated PTC Adjustment	98.0%	93.0%	93.0%	93.0%	93.0%
Estimated Federal Savings (millions)	\$11.5	\$8.4	\$8.2	\$8.2	\$8.2

<sup>10</sup> Please Appendix B for total federal savings net of federal losses under the reinsurance program.

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## Appendix B – Guardrail Requirements

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### **Guardrail Impact for the Reinsurance Waiver**

#### **SCOPE OF COVERAGE REQUIREMENT**

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

#### **AFFORDABILITY REQUIREMENT**

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

#### **COMPREHENSIVENESS OF COVERAGE REQUIREMENT**

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

#### **DEFICIT NEUTRALITY REQUIREMENT**

##### ***PTCs***

Since PTCs are benchmarked to the SLCSP, the decrease in premiums (specifically the SLCSP) will result in lower per person PTC amounts in 2024. Since enrollees who have PTCs are generally unaffected by changes in gross premiums, due to the subsidies shielding them from premium increases, the introduction of reinsurance is not expected to decrease the number of enrollees with PTCs. Due to the combination of a non-decreasing number of enrollees with APTCs and a decrease in premiums, which is connected to PTC amounts, Wakely's analysis estimates that the overall aggregate amount of PTCs will be lower each year over the 5-year window, as shown in the prior Table 8.

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

**Table 9: Average Second Lowest Cost Silver Plan Premium PMPM, with and without Reinsurance and Waiver Extension, by Year**

	2025	2026	2027	2028	2029
<b>Baseline</b>					
State Average	\$575	\$609	\$645	\$683	\$723
<b>With Waiver</b>					
State Average	\$550	\$584	\$620	\$658	\$798
Difference	(\$26)	(\$25)	(\$25)	(\$25)	(\$25)

**OFFSETS TO PTC SAVINGS**

***Exchange User Fee***

Since the Exchange in Rhode Island is a State-Based Exchange operated by HSRI, there is no additional loss of Federal revenue (via Exchange user fee).

**OTHER FEDERAL IMPACTS**

Wakely did not directly estimate the impact of the proposed waiver on the collections related to, small business tax credit or income taxes. It is unlikely that any of these would have a significant impact on the overall savings.<sup>11</sup>

**GROUP MARKET**

A detailed analysis of the group market was not completed. It is not expected that the waiver will have an impact on the large group, federal employee health benefits program, and other health programs in the state. In particular, we do not expect enrollment migration from the group market to the individual market as a result of the waiver. Prior research on the effects of the ACA showed no impact on Employer Sponsored Insurance.<sup>12</sup>

<sup>11</sup> <http://mn.gov/commerce-stat/pdfs/mn-1332-actuarial-analysis.pdf>

<sup>12</sup> <https://dash.harvard.edu/bitstream/handle/1/28547756/Frean%20Gruber%20Sommers%20NEJM%20ACA%20Perspective%202116.pdf?sequence=1>

## Appendix C - Reliances

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

1. Issuer submitted premium and enrollment information for 2023 and emerging 2024 data through February 2024, including APTC information.
2. Issuer submitted paid claim continuance tables for 2023.
3. National Health Expenditure Data from CMS<sup>13</sup>.
4. CMS' Section 1332 Tentative Pass-Through Payments for 2023<sup>14</sup>.
5. 2021 and 2024 Open enrollment public use files.
6. Method for Calculation of Section 1332 Waiver 2023 Premium Tax Credit Pass-through Key Amounts<sup>15</sup>.
7. CBO Modeling of the impact of ARP<sup>16</sup>.
8. CBO's Price Sensitivity of Demand for Nongroup Health Insurance<sup>17</sup>.
9. CEA's Understanding Recent Developments In The Individual Health Insurance Market<sup>18</sup>.
10. Health Insurance Demand and the Generosity of Benefits: Fixed Effects Estimates of the Price Elasticity<sup>19</sup>.
11. Wakely made some assumptions in working with the available data. These assumptions may impact the results of the analyses and were reviewed by Rhode Island for reasonability.

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

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<sup>13</sup> <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsProjected.html>

<sup>14</sup> <https://www.cms.gov/files/document/key-components1332-pass-througharp-update.xlsx>

<sup>15</sup> <https://www.cms.gov/CCIIO/Programs-and-Initiatives/State-Innovation-Waivers/Downloads/1332-OTA-Methodology-Pass-through-Amounts-ARP-Sept-2022.pdf>

<sup>16</sup> <https://www.cbo.gov/system/files/2022-02/hwaysandmeansreconciliation.pdf>

<sup>17</sup> <https://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/66xx/doc6620/08-24-healthinsurance.pdf>

<sup>18</sup>

[https://obamawhitehouse.archives.gov/sites/default/files/page/files/201701\\_individual\\_health\\_insurance\\_market\\_cea\\_issue\\_brief.pdf](https://obamawhitehouse.archives.gov/sites/default/files/page/files/201701_individual_health_insurance_market_cea_issue_brief.pdf)

<sup>19</sup> <https://ideas.repec.org/a/bpj/fhecpo/v12y2009i2n3.html>

1. **Data Limitations.** Wakely received data submissions for full year 2023 and emerging 2024 experience from insurers offering individual market ACA-compliant plans in Rhode Island. Wakely relied on the data submitted from all insurers for significant portions of this analysis. We reviewed the data for reasonability, but we did not audit the data. To the extent that the data is not correct, the results of this analysis will be impacted.
2. **Political Uncertainty.** There is significant policy uncertainty. Future federal actions in regards to American Rescue Plan/Inflation Reduction Act, or other material changes to the Affordable Care Act could significantly change premiums and enrollment in 2025 or future years. In particular, extension of the American Rescue Plan of passage or other changes to premium subsidies could impact pass-through, enrollment or premiums. State political reactions to changes in the individual market could alter the results.
3. **Enrollment Uncertainty.** Additionally, there is enrollment uncertainty. Beyond changes to potential rates and policy, individual enrollee responses to these changes also have uncertainty. All of these uncertainties result in limitations in providing point estimates on impacts of a 1332 waiver.
4. **Premium Uncertainty.** Given that several recent changes to statutory and regulatory rules of the individual market (e.g., American Rescue Plan) have not reached steady state in their effects on the individual market, there is uncertainty in how insurers may respond in their 2024 premiums.
5. **Medicaid Unwinding Uncertainty.** There remains significant uncertainty as to a number of individuals transitioning from Medicaid to the individual market in 2024, and potentially ultimately to the group market thereafter.
6. **Pass-Through Uncertainty.** Ultimately, the Department of Health and Human Services and the Department of Treasury model the pass-through amounts. The extent to which the assumptions, methodology, or calculations differ from Wakely's could result in different amounts.

## Appendix D – Disclosures and Limitations

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**Responsible Actuary.** Ksenia Whittal and Lydia Tolman are the actuaries responsible for this communication. They are both 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. Michael Cohen Ph.D. and Jared Asprer contributed significantly to the analysis and contents of this report.

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

**Risks and Uncertainties.** The assumptions and resulting estimates included in this report and produced by the modeling are inherently uncertain. The extent to which the enrollment experience for 2025-2029 is different than expected results could be affected. Users of the results should be qualified to use it and understand the results and the inherent uncertainty. Actual results may vary, potentially materially, from our estimates. Wakely does not warrant or guarantee that Rhode Island will attain the estimated values included in the report. It is the responsibility of those receiving this output to review the assumptions carefully and notify Wakely of any potential concerns.

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

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

**Subsequent Events.** These analyses are based on the implicit assumption that the ACA will continue to be in effect in future years with no material change. Material changes in state or federal laws regarding health benefit plans or federal subsidy levels may have a material impact on the results included in this report. In addition, many of the assumptions are based on the 2023 experience. Change in emerging 2024 enrollment and experience could impact the results.

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

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

ASOP No. 23, Data Quality

ASOP No. 41, Actuarial Communication

ASOP No. 56, Modeling

## Attachment B: Evidence of Consultation with the Narragansett Indian Tribe

**From:** [Hall, Katie M \(HBE\)](#)  
**To:** [REDACTED] Autumn leaf Spears, Director, Narragansett Indian Tribe HHS  
**Subject:** State of Rhode Island: Tribal Consultation Outreach for 1332 Waiver Renewal  
**Date:** Wednesday, March 13, 2024 2:54:03 PM

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Good afternoon, Director Spears:

I am reaching out on behalf of HealthSource RI regarding Rhode Island's submission of an application to extend its 1332 waiver. I was previously in contact in 2019 with you and your office during the submission of the original waiver application. The State has begun the process of applying for an extension to our original application, without any changes. More information about this waiver can be found on our website at [www.healthsourceri.com/1332waiver](http://www.healthsourceri.com/1332waiver)

Myself, or someone from agency, will reach out again during the public comment period for this application and we would be happy to set up a meeting at that time if you have questions, comments, or would like to connect regarding the waiver extension. We will be in contact about the public meeting and comment processes but wanted to let you know of our intent to submit the extension application as we get the process underway.

Thank you,

Katie

Katharine McCarten Hall, J.D.  
Director of Policy & Applied Research  
HealthSource RI

**From:** [Hall, Katie M \(HBE\)](#)  
**To:** [REDACTED]  
**Subject:** RE: State of Rhode Island: Tribal Consultation Outreach for 1332 Waiver Renewal  
**Date:** Friday, May 24, 2024 12:50:00 PM  
**Attachments:** [WaiverDraft\\_05242024.pdf](#)

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Good afternoon, Director Spears,

I'm reaching out from HealthSource RI regarding Rhode Island's preparations for submission of an application to extend the state's 1332 State Innovation Waiver. We were previously in contact in 2019 during the original submission of the waiver application and I reached out a few months ago as we began the process of applying for an extension without any changes.

The public comment period has opened today and will continue until June 24, 2024. If you would like, I would be glad to set up a meeting to connect regarding this extension. I will follow this email with a call to inquire about setting up a time for us to talk at your convenience. I'm happy to provide a brief overview of the extension request, answer any questions, or receive any comments you may have. Comments may also be submitted via email to me at this address, or via the instructions on our website at [healthsourceri.com/1332waiver](http://healthsourceri.com/1332waiver). I am attaching our draft extension application for your awareness and review. A reply confirming receipt would be greatly appreciated.

Lastly, HSRI is hosting [a public forum on June 7<sup>th</sup>](#) at our office in Providence and virtually via video conference at which we will review the extension application and receive comments. We welcome your input. I can be reached directly at 401-574-8207 and will follow-up within the next week to set up a time to talk or meet.

Thank you,

Katie

## Attachment C: Evidence of Public Posting of the Submitted Letter of Interest for a 1332 Waiver Extension Request on the State's Website

HSRI has posted the Letter of interest from Director Lang to CMS on HSRI's website, which indicated RI's intent to request an extension to its 1332 waiver. More information can be found here

<https://healthsourceri.com/1332waiver/>.



December 19, 2023

Honorable Xavier Becerra  
Secretary of Health and Human Services  
U.S. Department of Health and Human Services  
200 Independence Avenue, SW  
Washington, D.C. 20201

Honorable Janet L. Yellen  
Secretary of the Treasury  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, D.C. 20220

SENT VIA EMAIL

Dear Secretaries Becerra and Yellen,

HealthSource RI is pleased to submit this letter expressing Rhode Island's intent to apply for a five-year extension of the state's Section 1332 State Innovation Waiver, for the period beginning January 1, 2025 and ending December 31, 2029. Aside from extending the timeframe of the waiver, we do not plan to propose any major changes to our waiver in the extension application. The waiver will continue to adhere to the guardrails established by Section 1332.

In 2018, the Rhode Island General Assembly passed, and Governor Gina Raimondo signed the Rhode Island Market Stability and Reinsurance Act, to establish a reinsurance program to mitigate rising health insurance premiums in Rhode Island beginning in 2020. On August 26, 2019, the Department of Health and Human Services and Department of Treasury approved Rhode Island's application to waive the single risk pool requirement in the individual market under section 1312(c)(1) of the Patient Protection and Affordable Care Act in order to implement a state-based reinsurance program.

Following federal approval of the state's original 1332 waiver application, HealthSource RI, in consultation with the Rhode Island Office of The Health Insurance Commissioner, implemented a state reinsurance program beginning January 1, 2020. The reinsurance program has been critical to stabilizing our individual health insurance market, resulting in average premium rates that were about 6% lower than they would have been without the waiver. This net premium reduction has helped to stabilize enrollment in the individual market, ensuring that the risk pool remains healthy and predictable.

A waiver extension will support HealthSource RI's continued success in making health insurance more affordable and accessible to Rhode Islanders. Thank you in advance for considering our application, which we intend to submit in early 2024. We look forward to engaging with you in the coming months.

Sincerely,

Lindsay M. Lang, J.D.  
Director, HealthSource RI

## Attachment D: Evidence of Public Posting of Public Hearing and Written Comment Period

HSRI posted the public meeting notice on May 8<sup>th</sup> which can be found here:

<https://opengov.sos.ri.gov/Common/DownloadMeetingFiles?FilePath=\Notices\6553\2024\492563.pdf>

### Public Meeting Notice



#### Public Forum: 1332 Waiver Annual Update and Renewal Application

**Notice Posted:** Wednesday, May 8, 2024  
**Date of Meeting:** Friday, June 7, 2024  
**Meeting Time:** 10:00 am  
**Meeting Location:** RI Department of Administration, One Capitol Hill, 3<sup>rd</sup> Floor, Castle Hill Conference Room Providence, RI 02908; or by Zoom: <https://us02web.zoom.us/j/89345243681?pwd=a1JEMUx5U1BWR3oraUxmdFBjOU96Zz09> or by phone 1-305-224-1968; Meeting ID: 893 4524 3681; Passcode: 177785

#### Agenda

- I. Call to Order
- II. Staff Presentation:
  - A. Annual Update on Rhode Island's Approved §1332 Waiver Application under the Affordable Care Act
  - B. Rhode Island's Proposed §1332 Waiver Extension Application under the Affordable Care Act
- III. Public Comment
- IV. Adjourn

For more information about Rhode Island's Approved 1332 Waiver to establish a State reinsurance program please visit <https://healthsourceri.com/1332waiver/>

Closed captioning will be provided for those who are hard of hearing or hearing impaired. If other accommodations, auxiliary aids or assistance are needed please call Katie Hall at 401-574-8207 or email accommodations request to [katie.m.hall@exchange.ri.gov](mailto:katie.m.hall@exchange.ri.gov) no later than two business days in advance of the meeting to ensure any necessary accommodations can be provided.

For instructions on how to join a Zoom meeting please visit: <https://support.zoom.us/hc/en-us/articles/201362193-Joining-a-Meeting>

[Potential additions to this page will be evidence of notification of written comment period once application is posted]

## Attachment E: List of Stakeholder and Community Partner Organizations

### Hall, Katie M (HBE)

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**From:** Hall, Katie M (HBE)  
**Sent:** Friday, May 24, 2024 2:03 PM  
**Subject:** HealthSource RI's 1332 State Innovation Waiver Extension Application Draft Available for Public Review and Comment

Good afternoon,

I am writing to share that HealthSource RI is now accepting public comment on their [Section 1332 State Innovation Waiver Extension Application draft](#). This extension application seeks to continue the currently approved waiver for an additional 5-year period with the goal of maintaining the state's flexibility to operate a reinsurance program in the individual health insurance market. A public comment period is an important step in the process and is required to happen prior to the application's submission.

Public comment on the draft application opens today and will continue until June 24, 2024, and we welcome your input. A [public forum](#) will be held on June 7, 2024. All comments must be received on or before Monday, June 24, 2024.

Please visit the site below to view the draft application, related materials, and detail about how to submit comments.

<https://www.healthsourceri.com/1332waiver>

Thank you,

Katie

Katharine McCarten Hall, J.D.  
Director of Policy & Applied Research  
HealthSource RI

Representatives of the following organizations were sent the email copied above to request public comment as well as for notification of the public comment period and public meeting:

- Blue Cross Blue Shield Rhode Island
- Chace Ruttenberg & Freedman, LLP
- Cranston Chamber of Commerce
- Delta Dental
- Greater Providence Chamber of Commerce
- Hospital Association of RI
- HSRI
- Rhode Island KIDS COUNT
- Lifespan
- Narragansett Indian Tribe

- Neighborhood Health Plan of Rhode Island
- RI Executive Office of Health and Human Services
- RI Office of The Health Insurance Commissioner
- Provider Group Insurance Brokers
- RI Dept of Administration
- RI General Assembly
- RI Governor's Office
- RI Health Center Association
- RI Medical Society
- RIPIN
- The Economic Progress Institute
- The Substance Use and Mental Health Leadership Council of RI
- United Way of RI
- Washington Trust



## Rhode Island's Section 1332 Waiver Renewal and Annual Public Forum

Public Forum

June 7, 2024

### What is a Section 1332 Waiver?

- The Affordable Care Act (ACA) permits a state to apply for a State Innovation Waiver (Section 1332 Waiver) to pursue innovative strategies for providing their residents with access to high quality, affordable health coverage.
- Rhode Island has received an approved waiver of Section 1312(c)(1) for a period of five years beginning in the 2020 plan year to develop a state-based reinsurance program.



**This waiver supports the implementation of a reinsurance program in the individual market, including the ability to use federal funding to partially fund the reinsurance program.**

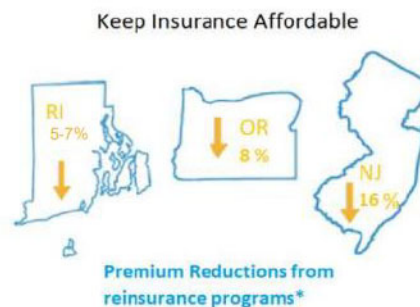
## What is the purpose of this waiver?

**The waiver is intended to stabilize individual market enrollment, to mitigate rate increases, and to maintain a market attractive to carriers.**

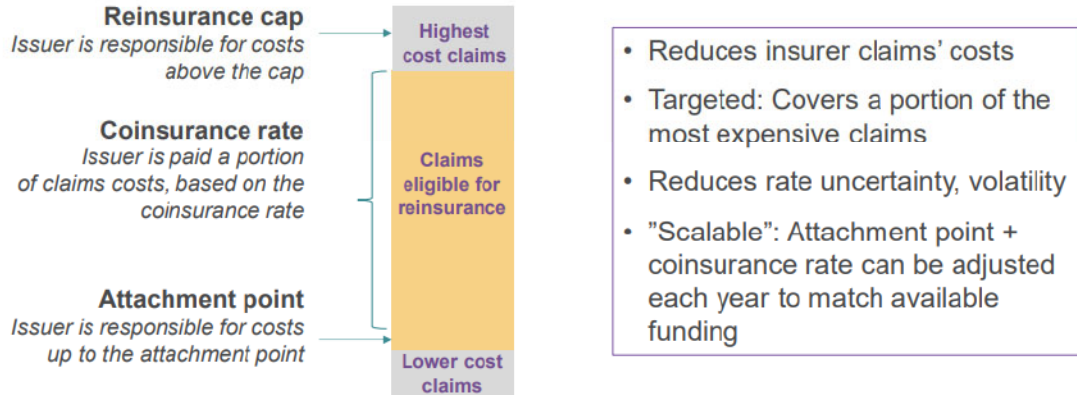
- Four “guardrails” apply to 1332 waivers. The waiver must
  1. Provide access to quality health care that is **at least as comprehensive** as would be provided without the waiver
  2. Provide access to quality health care that is **at least as affordable** as would be provided without the waiver
  3. Provide coverage to **at least a comparable number of residents** as would be provided without the waiver
  4. **Not increase** the federal deficit.
- To the extent the state saves federal dollars through actions it takes under its waiver, those dollars can be given to the state to fund waiver approved activities.
- RI's waiver approves reinsurance payments to carriers in the individual market, resulting in decreased monthly premiums charged to individuals and families purchasing coverage in Rhode Island's individual health insurance market.

## What does the reinsurance program do?

- Offsets costs associated with sicker, riskier customers by paying for a portion of high-cost claims
- Provides relief to Rhode Islanders who don't receive financial assistance
- Allows the state to secure federal funding to support reinsurance through a 1332 waiver



## How does a reinsurance program work?



## Reinsurance Status by Program Year

Program Year	Status
2020	Complete. Payments to carriers made Dec. 2021
2021	Complete. Payments to carriers made Feb. 2023
2022	Complete. Payments to carriers made Jan. 2024
2023	Benefit year complete. Payments expected in Fall 2024
2024	Plan year in progress. Payments expected in Fall 2025

- For each program year, the state first estimates state revenue, federal pass-through savings, and claims for the upcoming year. The state uses these to set parameters for the size of the program. Carriers use these parameters in their plan filings, requesting lower premiums than they otherwise would.
- Final payments made to carriers are calculated based on actual revenue received and actual claims. RI's program uses variable coinsurance to adjust the payments to match the revenue available for the program.

## 2020 Reinsurance Program Year

	2020 Originally Projected	2020 Final
Attachment Point	\$40,000	\$40,000
Cap	\$97,000	\$97,000
Federal Pass-through Funds	\$6.4M	\$5.2M
State Contribution After Administrative Costs	\$8.3M	\$5.6M
Reinsurance Payments Total	\$14.7M	\$10.8M
Eligible Claims Between Attachment Point and Cap	\$29.4M	\$27.2M
Coinsurance Rate (Variable)	50%	40%
Federal Pass-through Percent	44%	39%

Lower state and federal revenue resulted in a coinsurance rate of 40%, lower than the projected 50% target. The coinsurance rate of 40% is applied to each carriers' claims between the attachment point and cap. Resulting payment to BCBSRI was \$6.2M and to NHP was \$4.6M. Payments were made in December 2021.



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## 2021 Reinsurance Program

	2021 Originally Projected	2021 Final
Attachment Point	\$30,000	\$30,000
Cap	\$72,000	\$72,000
Federal Pass-through Funds	\$10.4M	\$12.4M
State Contribution After Administrative Costs	\$9.0M	\$6.4M
Reinsurance Payments Total	\$19.3M	\$18.8M
Eligible Claims Between Attachment Point and Cap	\$38.6M	\$35.4M
Coinsurance Rate (Variable)	50%	52.9%
Federal Pass-through Percent	53.5%	65.8%

- Federal savings for 2021 was updated after the passage of the American Rescue Plan, resulting in \$2.6M in additional federal pass-through savings
- Increased federal revenue resulted in a coinsurance rate of 52.9%, higher than the projected 50% target. The coinsurance rate of 52.9% was applied to each carrier's claims between the attachment point and cap. Resulting payment to BCBSRI was \$11M and to NHP was \$7.7M. Payments were made in February 2023.



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## 2022 Reinsurance Program

	2022 Originally Projected	2022 Final
Attachment Point	\$30,000	\$30,000
Cap	\$65,000	\$65,000
Federal Pass-through Funds	\$8.5M	\$9.7M
State Contribution After Administrative Costs	\$5.1M	\$5.1M
Reinsurance Payments Total	\$13.6M	\$14.9M
Eligible Claims Between Attachment Point and Cap	\$34.0M	\$33.4M
Coinsurance Rate (Variable)	40%	44.6%
Federal Pass-through Percent	62.6%	65.3%

Increased federal funds resulted in a coinsurance rate of 44.6%, higher than the projected 40% target. The coinsurance rate of 44.6% was applied to each carrier's claims between the attachment point and cap. Resulting payments to BCBSRI were \$9M and to NHP was \$5.9M. Payments were finalized in early January 2024.



## 2023 and 2024 Reinsurance Parameters

- **The projected size of the reinsurance program** in Plan Year 2023 is \$17M and \$15.9M in 2024.
  - This represents the projected reinsurance claims payments made to carriers.
  - State contribution was based on actual revenues from prior years, adjusted based on experience.
  - Payments for the 2023 program will be made in late 2024.

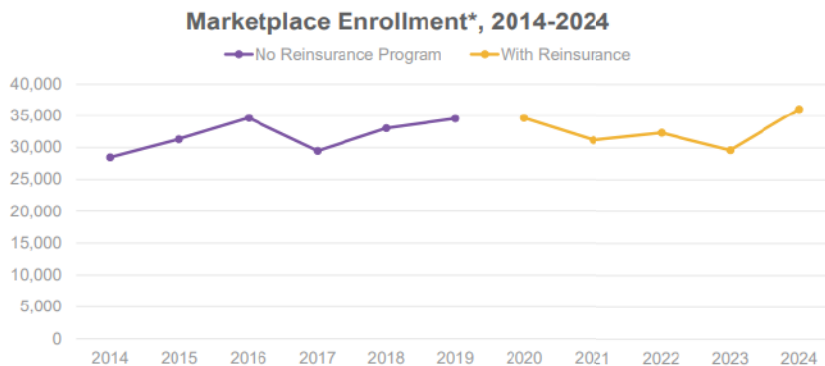
	2023	2024
Attachment Point	\$30,000	\$30,000
Cap	\$61,500	\$59,000
Federal Pass-through Funds	\$10.7M (actual)	\$9.55M (actual)
State Contribution After Administrative Costs (Projected)	\$6.3M	\$6.3M
Reinsurance Payments Total (Projected)	\$17M	\$15.9M
Eligible Claims Between Attachment Point and Cap (Projected)	\$42.5M	\$43.0M
Coinsurance Rate (Variable)	40% (target)	37% (target)
Federal Pass-through Percent	63.1%	60.1%



## RI's 1332 Waiver Renewal Process

- The current waiver is set to expire on December 31, 2024, after a successful period of 5 years.
- Rhode Island intends to apply for a waiver extension without substantive change. The five-year extension is the only requested change to the existing waiver.
- Rhode Island must go through a formal process with the federal government to renew the waiver even without making any changes to the waiver.
- This renewal process includes the opportunity for public comment on the renewal request.
  - Public comment opened on May 24, 2024, and will close on June 24, 2024.

## RI Individual Market Enrollment Over Time



\*Number of Individuals in Rhode Island Who Selected a Marketplace Plan  
Source: KFF's State Health Facts

The net premium reduction resulting from the reinsurance program has helped to stabilize enrollment in the individual market, ensuring that the risk pool remains healthy and predictable.

## Waiver 2020-2024: Funding Summary

RI Reinsurance Program (Estimate / Actual)							
Year	State Funds*	Federal Pass Through	Total Reinsurance Payments	Claims Parameters		Coinsurance Rate	
				Attachment Point	Cap	Target	Actual
2020	\$5,578,912	\$5,239,671	\$10,818,583	\$40,000	\$97,000	50.0%	39.70%
2021	\$6,428,838	\$12,392,493	\$18,821,331	\$30,000	\$72,000	50.0%	52.90%
2022	\$5,177,414	\$9,733,677	\$14,911,091	\$30,000	\$65,000	40.0%	44.60%
2023	\$6,300,000	\$10,758,473	\$17,058,473	\$30,000	\$61,500	40.0%	TBD
2024	\$6,334,534	\$9,554,994	\$15,889,528	\$30,000	\$59,000	37.0%	TBD
<b>Total</b>	\$29,819,698	\$47,679,308	\$77,499,006				

\*Amount shown is the total after administrative costs.  
Source: RI Section 1332 State Innovation Waiver, Actuarial and Economic Analysis



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## Waiver 2020-2024: Impact of Reinsurance

Rhode Island's reinsurance program has been successful in improving affordability in RI's individual health insurance market.

### Member Premium Changes With and Without Reinsurance

	2020	2021	2022	2023	2024
Premium Change with Reinsurance	-0.6%	4.0%	1.9%	5.8%	6.0%
Premium Change without Reinsurance	7.0%	12.3%	8.0%	11.7%	11.5%
<b>Impact of Reinsurance</b>	<b>-7.1%</b>	<b>-7.4%</b>	<b>-5.7%</b>	<b>-5.3%</b>	<b>-4.9%</b>
<b>Annual Reduction per Enrollee</b>	<b>\$417</b>	<b>\$456</b>	<b>\$358</b>	<b>\$539</b>	<b>\$342</b>

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

Source: RI Section 1332 State Innovation Waiver, Actuarial and Economic Analysis



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## Waiver 2025-2029: Estimated Impact of Reinsurance

- If the waiver is extended, RI's Reinsurance Program is projected to continue to meet the guardrails set forth in the waiver application.
- Additionally, it is projected to bring continued success in improving affordability in RI's individual health insurance market.

### High-Level Guardrail Results

Guardrail	Effect of Waiver
Coverage	Increases enrollment by 0.6% to 0.7%
Affordability	Reduces premiums by 3.9% to 5.6%
Comprehensiveness	No impact
Deficit Neutrality (5-year)	\$44.5 million savings

### Impact of Waiver Extension on Premium, Enrollment, and Federal Deficit

	2025	2026	2027	2028	2029
Premium	-5.6%	-4.6%	-4.4%	-4.1%	-3.9%
Individual Enrollment	0.7%	0.7%	0.7%	0.6%	0.6%
Federal Savings (\$ millions)	\$11.5	\$8.4	\$8.2	\$8.2	\$8.2



Source: RI Section 1332 State Innovation Waiver, Actuarial and Economic Analysis

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## Why is RI seeking to extend this Section 1332 waiver?

- **Improvement in Health Insurance Affordability**
  - The current 1332 waiver resulted in reinsurance savings in the individual market, resulting in lower monthly premiums for Rhode Islanders purchasing in the individual market.
  - The reinsurance program, as part of the waiver, resulted in an average net premium decrease of 5% or more each year. MAO
- **Stable, more predictable enrollment**
  - The 1332 waiver also resulted in enrollment stability for HSRI, RI's insurance exchange, and in RI's entire individual market, ensuring that the risk pool remains healthy and predictable.
- **These successful outcomes support RI's request for a renewal of the 1332 waiver.**



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# PUBLIC COMMENT

## Attachment G: Written Comments Received During Public Comment Period

Not applicable. No public comments were received.

## Attachment H: Evidence of Public Posting of the Waiver Extension Application on the State's Website upon Submission to CMS

HSRI posted the submitted waiver extension application on the HSRI website. More information can be found here <https://healthsourceri.com/1332waiver/>

**Federal Questions and State Responses on Rhode Island’s 1332 Waiver Extension Application**

**CCIIO Questions Sent 7/31/2024 State Answers 8/5/2024**

- **What is the amount of total projected reinsurance reimbursements for each year of the waiver extension?**

Please refer to the row labeled “Total Reinsurance Reimbursement” in the table presented below.

- **What is the projected amount of state funding for each year of the waiver extension? Are the amounts expected to be similar to the amounts from 2020-2024 as seen in Table 1?**

Please refer to the row labeled “Total State Funding” in the table presented below.

- **Please share the 2025-2029 payment parameters used in the analysis.**

Please refer to the rows under “Payment Parameters” in the table presented below.

**Table: Total projected reinsurance reimbursement, state funding and payment parameters by year of the waiver extension period**

Description	2025	2026	2027	2028	2029
Total Reinsurance Reimbursement	\$17,800,000	\$14,700,000	\$14,500,000	\$14,500,000	\$14,500,000
Total State Funding	\$6,300,000	\$6,300,000	\$6,300,000	\$6,300,000	\$6,300,000
Total Federal Funding	\$11,500,000	\$8,400,000	\$8,200,000	\$8,200,000	\$8,200,000
Payment Parameters:					
Attachment	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
Cap	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000
Coinsurance	41%	33%	31%	30%	28%

**CCIIO Questions Sent 8/23/2024 State Answers 8/27/2024**

- **Please confirm that Table 3 is reflective of market-wide premiums and Tables 5 through 8 are reflective of SLCSP premiums.**

Tables 3, 5 through 8 are generally reflective of the market-wide premium. The average SLCSP is not explicitly included in these tables, beyond the direct correlation with APTC PMPMs which are shown.

**CCIIO Questions Sent 9/26/2024 State Answers 9/30/2024**

1. **Please confirm which of the scenarios discussed on page 15 of the PDF (page 5 of the actuarial and economic analysis) and included in table 4 are used to populate the other tables and why.**

We are confirming that the best estimate scenario (1) is used in Table 8. Upon review, we noted that the best (1) and low (2) column values were inadvertently switched in Table 4, and corrected this in the attached report. We apologies for this oversight.

- 2. Please ensure that data in tables 3, 4, 6, and 8 aligns or explain the differences. For example, it appears that table 3 reflects scenario 2 for 2025, but the numbers in tables 6 and 8 are not aligned with those in table 3.**

We also made minor updates to several figures to ensure alignment of the best scenario figures for 2025 and 2026 among Tables 3, 4, 6, and 8. These were driven by the rounding rules and order of operations and are not methodological changes.