



Rhode Island's Proposed Section 1332 Waiver Application

Public Hearings, June 24th 2020

What is a Section 1332 Waiver?

- The Affordable Care Act (ACA) permits a state to apply for a State Relief and Empowerment 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.

Waiver Application – Status Update

- Governor Raimondo **included a State reinsurance program** in Article 14 of her proposed 2020 budget to help protect gains of the Affordable Care Act in Rhode Island by mitigating premium increases.
- Governor Raimondo’s proposal was approved and the **reinsurance program will first impact rates for calendar year 2020.**
- The State submitted the waiver in Fall 2019 and it has since been approved by the Federal government. **This public hearing is a requirement of the approval to allow for public comment on the approved waiver.**

Key Market Stability Concerns



Loss of Coverage – RI's high insurance levels will decline as young and healthy populations drop coverage



Unbalanced Risk Pool – The remaining populations will be older and sicker, creating a smaller and more volatile risk pool



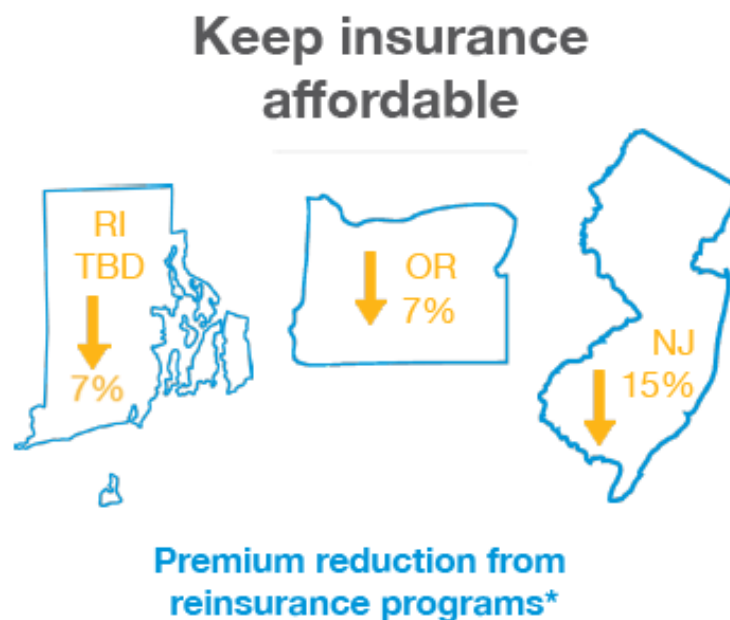
Premium Increases – A riskier pool will lead to premium increases for the remaining insured, starting with individuals and the smallest businesses

What is Rhode Island doing?

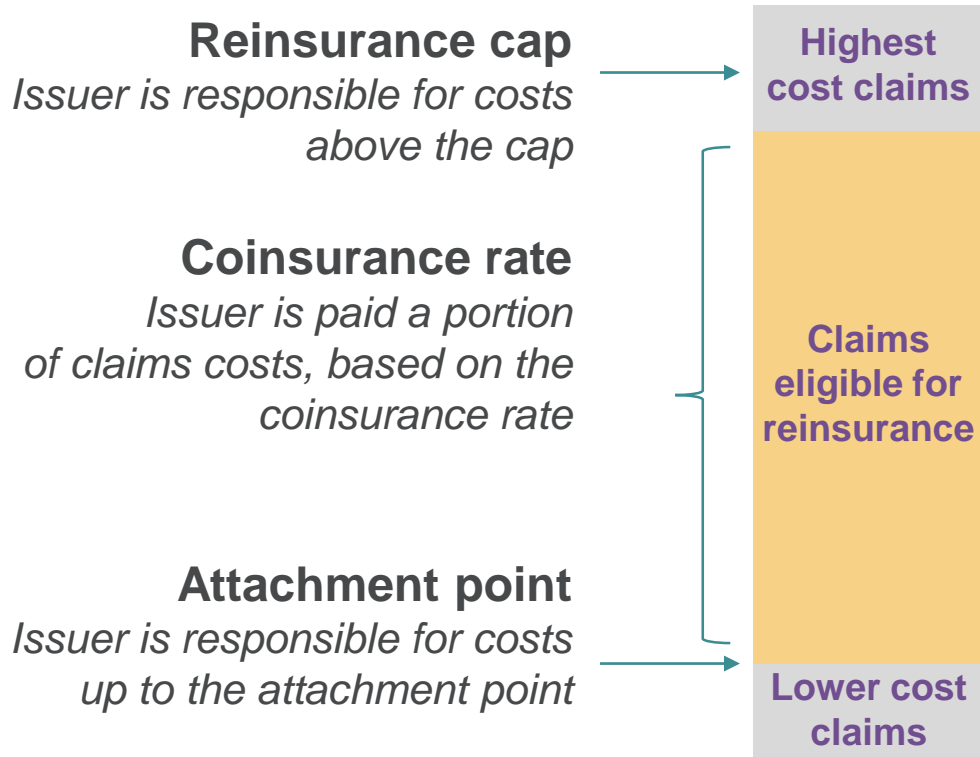
- In 2018 HSRI and OHIC convened a group of RI stakeholders to form a **Market Stability Workgroup**
- The Workgroup **developed recommendations** for protecting access and affordability at the state level
- Acting on their recommendations, Governor Raimondo included the **following initiatives** in her approved FY 2020 budget:
 - A **reinsurance program** to reduce premium increases in the individual market
 - A **state-based penalty** for not having insurance
 - **Regulatory authority** over short-term limited duration plans

What will a reinsurance program do?

- Offset costs associated with sicker, riskier customers by paying for a portion of high-cost claims
- Provide relief to families and small businesses who don't receive financial assistance
- Allow the state to secure federal funding to support reinsurance through a 1332 waiver



How would a reinsurance program work?



- Reduces insurer claims' costs
- Targeted: Covers a portion of the most expensive claims
- Reduces rate uncertainty, volatility
- "Scalable": Attachment point + coinsurance rate can be adjusted each year to match available funding

How will the reinsurance program be funded?

- The **projected size of the reinsurance program** in Plan Year 2021 is \$19.3 million.
 - This represents the projected reinsurance claims payments made to carriers.
 - Payments expected to be made in 2022.
- The **funding for this reinsurance program** will come from a combination of state and federal funds.
 - For plan year 2021 the **1332 waiver will generate \$10.3 million in federal pass-through funds** to fund reinsurance payments.
 - The **remaining \$8.975 million** will be funded by state revenue from the assessment of individual mandate penalties.

Parameter	2020	2021
Attachment point	\$40,000	\$30,000
Cap	\$97,000	\$72,000
Coinsurance rate (variable)	50%*	50% (target)**
Reinsurance claims payments (program size)	\$13.5 million*	\$19.3 million**
Federal pass-through funds	\$5.2 million	\$10.3 million**
State contribution	\$8.3 million*	\$8.975 million**
Federal pass-through percent	38.5%	53.5%**

*projected value for 2020 plan year **projected value for 2021 plan year

How does this impact Rhode Islanders?

- In 2020, the program is expected to reimburse 50% of claims between an attachment point of \$40,000 and cap of \$97,000.
- The reinsurance program, as part of the waiver proposal, resulted in an **average net premium decrease of 5.2% in 2020**.
Net premium decrease is defined as the difference between expected premiums with and without the reinsurance program.
- For **2021**, the program is estimated to result in premiums **7.4% lower** than 2021 premiums would be in the absence of a reinsurance program.

One Post Award Public Hearing

- HSRI is hosting a public hearing to gather public input:
 - June 24, 2020 – Virtually via Zoom
- We will be accepting public comments on the approved 1332 Waiver through June 30, 2020.
 - Comments may be sent via electronic mail to:
1332waiverapplication@healthsourceri.com
 - Or by postal mail to: State of Rhode Island 1332 Waiver, HealthSource RI, 501 Wampanoag Trail Suite 400, East Providence RI 02915
- For additional information and updates, go to the following website:
<https://healthsourceri.com/1332waiver/>

PUBLIC COMMENT